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Stock Markets Drop As Dollar Hits Lows

Shares in New York, Europe, Asia Yield to Doubts About U.S. Policy

NEW YORK — Stock markets in the United States and abroad fell sharply Monday in reaction to another plunge in the dollar's value and worries about U.S. economic policy.

On Wall Street, the Dow Jones industrial average fell 76.93 points to close at 1,833.55. More than 12 stocks declined in value for every one that advanced on the New York Stock Exchange.

Trading was heavy at 271.5 million shares.

Earlier in the day the Dow was down by as much as 108 points, to 1,801. That was its lowest level since Oct. 19, when the average of 30 major industrial stocks fell 508 points to 1,738.41.

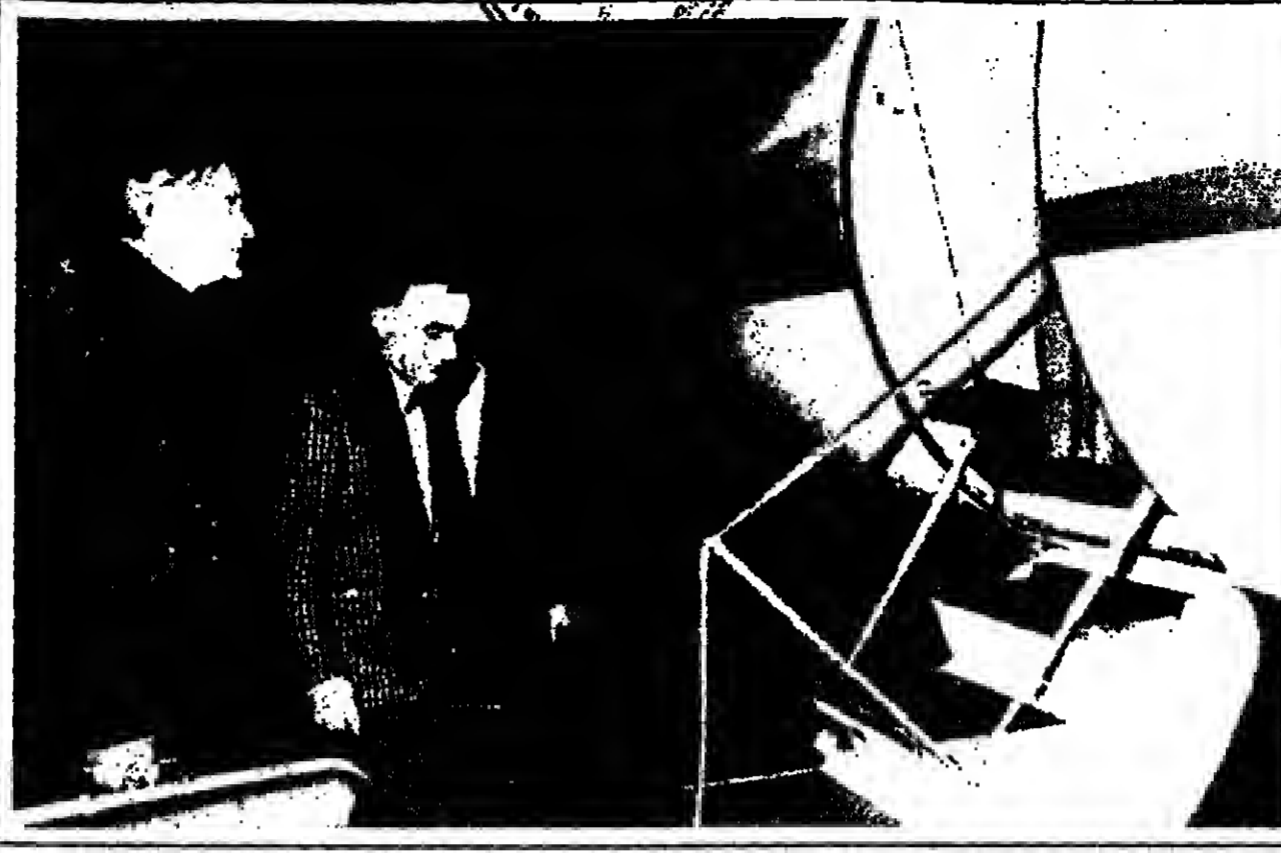
The dollar, meanwhile, reached new lows against the yen, the Deutsche mark and the British pound, and its slide depressed stock prices in Europe and Asia.

On the London Stock Exchange, the 100-share Financial Times Stock Exchange Index, the main market indicator, fell nearly 72 points, or about 4.4 percent, to close at 1,579.9. The plunge resulted from the dollar's retreat and a subsequent sharp fall in Tokyo stock prices, dealers said.

On the Tokyo Stock Exchange, the 225-stock Nikkei average fell more than 365 points in light trading to close at 22,686.78, a drop of about 1.6 percent.

The Tokyo stock market declined chiefly because of the dollar, a Nomura Securities analyst said.

West German share prices closed sharply lower, sending the Konsumer index of 60 major stocks



Paul Torri, second from left, the French consul in Iran, preparing to board a plane in Tehran on his way to Paris.

Gorbachev Sees 'Real' Chance of 50% Arms Cut

By Fred Harris
International Herald Tribune

WASHINGTON — Mikhail S. Gorbachev, the Soviet leader, said in a television interview Monday night that "there are real prospects" of a 50-percent cut in U.S.-Soviet long-range nuclear missiles and that as long as President Ronald Reagan's program for a missile-defense system "does not run counter" to the Anti-Ballistic Missile Treaty, "that is not a subject for negotiation."

Mr. Gorbachev also confirmed that the Soviet Union was conducting "basic research" in anti-missile defenses, which had long been suspected in the West.

"Practically, the Soviet Union is doing and I guess we are engaged in research, basic research, which relates to those aspects which are covered by the SDI in the United States," he said. SDI stands for the Strategic Defense Initiative, the planned U.S. system of space-based missile defenses, also known as "star wars."

U.S. Sights Soviet Shift in Arms Policy

By Don Oberdorfer
Washington Post Service

WASHINGTON — Declarations by Mikhail S. Gorbachev that "reasonable sufficiency" is the basis for Soviet military requirements — a departure from past policy — underlie the arms control positions that Mr. Gorbachev will bring to Washington and may foreshadow important shifts in Moscow's military forces, according to U.S. and Soviet experts.

This concept, which Mr. Gorbachev unveiled in early 1986, has been emphasized by the Soviet leader, his defense minister and a variety of official and semi-official commentators since this summer, although it has been little discussed in the West.

Many U.S. officials are wary that the rhetorical shift in Soviet policy may be intended for external political and propaganda benefit rather than military application at home.

"There is no sign yet of significant change in the size or composition of Soviet armed forces to reflect what appears to be more modest requirements for defense in both nuclear and conventional areas, according to officials on both sides."

But if the implied promise of large cutbacks and less threatening configurations under "reasonable sufficiency" is translated into fact, either through arms control negotiations or unilateral Soviet action, it would be a significant development.

Paris Remitting \$330 Million for Hostages

By Jim Hoagland
Washington Post Service

PARIS — France is to turn over \$330 million to Iran in Vienna this week as a payment on a debt to conduct a secret accord that has led to the release of two French hostages in Beirut and the end of police blockades of the two nations' embassies over the weekend, an authoritative French source said Monday.

The source, who insisted on anonymity, has been deeply involved in extensive secret negotiations between France and Iran that began last summer in Pakistan and ended over the weekend.

The \$330 million payment that France is to make to Iran is part of a \$1 billion loan that France has acknowledged it owes to Iran, but which the French government has tied to progress on the hostage issue. A first payment, for the same amount, was made a year ago.

In a detailed reconstruction of the secret contacts between the two countries provided by this French intermediary and other sources, these other points emerged:

- Manuchehr Ghorbanifar, the Iranian middleman who helped sell the White House on the arms-for-hostage swap that produced the Iran-contra affair, advised the clandestine French negotiating team on how to contact the hostage-takers.
- Mr. Ghorbanifar insisted the French negotiators read the Tower Commission report which, he asserted, showed all the mistakes the French should avoid in dealing with the Iranians, who alone could order the freeing of the hostages.
- The commission was the three-member special presidential board that investigated the covert U.S. arms sales to Iran and the subsequent diversion of profits to the Nicaraguan rebels.
- French efforts to include American hostages in the trade were sharply rebuffed by the captors, who reportedly are angry and bitter over the disclosures in Washington about the secret U.S.-Iranian contacts. The captors vowed that the Americans would never be freed as a result of this, one intermediary reports.
- Iran agreed to the outline of the agreement with France in September, primarily out of concern about its growing diplomatic isolation and the desire to gain the freedom of an Iranian, Walid Gerdji, an embassy translator who was held up in the Iranian Embassy. The French authorities wanted to question Mr. Gerdji about a series of bombings in September 1986 in Paris, in which 13 persons were killed and hundreds wounded. But renewed fighting in Beirut delayed the freeing of the hostages, and nearly derailed the agreement at the last moment.
- Syria played no role in arranging the release of the two French journalists, Jean-Louis Normandin and Roger Auque on Friday, but Syrian forces sought to take them into custody after their release and to take them to Damascus to make it appear that Syria had been instrumental in their release.
- The government of Prime Minister Jacques Chirac will continue to try to gain the freedom of the three remaining French hostages, but the source reported that the departure from France on Sunday of Mr. Gerdji, whose refusal to testify about the bombings led France to break relations with Iran, significantly reduces France's leverage.

Reagan Brakes Currency's Slide By Calling Deficit Cuts 'Adequate'

By Ferdinand Proczman
International Herald Tribune

FRANKFURT — Growing disillusionment with the U.S. budget-deficit reduction package sent the dollar plunging to record lows against most major currencies on Monday before it recovered slightly, on President Ronald Reagan's remark that the proposed measures were "adequate."

Foreign exchange dealers in Europe and New York said that the dollar was likely to fall further, and that there was little that central banks of the leading industrial nations could do to halt the decline.

Political and psychological factors are dominating trading, they said, and market sentiment is overwhelmingly bearish.

Dealers said the selling of dollars, which they termed moderate to heavy, also reflected widespread doubt about the will of either Congress or the Reagan administration seriously to address U.S. economic problems with major elections scheduled next year.

The dollar's fall also pushed up the price of gold on fears that the U.S. currency's decline would trigger a sharp rise in inflation.

The dollar's fall came despite news that normally would have supported the dollar, including newspaper reports that the Bundesbank, West Germany's central bank, is planning to cut its discount rate to a record low of 2.5 percent from 3 percent, possibly as soon as Thursday.

Reports that Chancellor Helmut Kohl's government is preparing an economic stimulatory package totaling 15 billion Deutsche marks (about \$9.14 billion) also were ignored by the market.

In Frankfurt, the dollar fell to a record low of 1.6354 DM at Monday's midday fixing, despite the purchase of \$44.9 million by the Bundesbank.

The dollar dipped further to 1.6315 DM in London, and also touched record lows against the British pound and the yen, before recovering some ground on Mr. Reagan's remarks.

In New York, Mr. Reagan's remarks had a similar effect. The dollar touched a low of 1.6320 DM, but recovered to close at 1.6393 DM, still more than a penny below Friday's close of 1.6510.

Currency markets shrugged off small, open-market dollar purchases by the Bank of Japan and the Bundesbank. Some dealers

Kiosk Ethiopia Rebels Relent on Food

PORT SUDAN, Sudan (WP) — In a conciliatory announcement that may ease severe food shortages in northern Ethiopia, Eritrean rebels announced Monday that they would give relief agencies advance warning of their military operations.

The Eritrean People's Liberation Front was criticized last month for destroying a large food relief convoy.

The announcement marked an abrupt policy change.

Volcker Urges Nations To Avert Market Shocks

By Reginald Dale
International Herald Tribune

GENEVA — Paul A. Volcker, former chairman of the U.S. Federal Reserve Board, warned Monday of "potentially abrupt and disruptive market reactions" if Western industrial nations do not take coordinated steps to restore balance to the world economy.

Speaking at a ceremony marking the 40th anniversary of the General Agreement on Tariffs and Trade, Mr. Volcker also insisted on the need for concerted government action to stabilize exchange rates and warned of the danger that the international economy might break down into a series of warring monetary and commercial zones.

"Recent developments in world stock markets — while they need not be devastating in themselves — seem to me warning enough of the need for concerted action" to correct the huge trade and current account imbalances among industrial nations, Mr. Volcker said.

"The alternative is potentially abrupt and disruptive market reactions that would greatly increase the risks of recession or inflation, or both, and probably undermine the chances for constructive trade negotiations as well," he said.

Although he did not refer to either country by name, the former Fed chairman was particularly tough on Japan and West Germany for failing to stimulate their economies sufficiently.

Mr. Volcker said that the main outlines of the effort needed by Western governments were clear — "convincing and sustained budgetary discipline in the United States and... domestic stimulus in countries with large surpluses."

Clearly referring to Japan and West Germany, Mr. Volcker said that "the major surplus countries" had achieved price stability. "What is needed now is a sense of adequate domestic economic growth."

He added that to maintain a healthy, open international trading order, governments of important trading countries should "reach some realistic collective judgments about the broadly appropriate level of exchange rates."



ANXIOUS VIGIL — People waiting Monday at the Seoul airport for news of a Korean Air jet that crashed Sunday with 115 people aboard. The airline's president said a terrorist bombing was the likeliest cause. The site of the crash, on the Thai-Burmese border, was spotted by helicopter, but no rescue workers had yet reached it. Page 2.



Manfred Wörner of West Germany, was the sole candidate for NATO's top political post after Kaare Willoch withdrew. Page 4.

GENERAL NEWS

- Cuban inmates holding hostages in Atlanta were briefed on the agreement that ended a siege in Louisiana. Page 3.
- France has traded an Iranian suspected of terrorist offenses for the first secretary of its embassy in Tehran. Page 2.
- An Afghan general sparked a gun battle in Kabul. Page 4.

BUSINESS/FINANCE

- PaineWebber will sell a stake of up to 25 percent to a Japanese insurance company for about \$300 million. Page 15.
- Banco de Bilbao launched a hostile takeover bid for Banco Español de Crédito. Page 19.

Special Report

In New Zealand, the government is mapping plans to make sweeping changes in its social policies. Pages 11-14.

Dow close: DOWN 76.93
The dollar in New York:
DM £ Yen FF
1.6393 1.527 132.275 5.8905

The Great American Hero '87: Gorbachev

By Henry Allen
Washington Post Service

WASHINGTON — Just now, thanks to Mikhail S. Gorbachev, his nicely dressed wife, Raisa, and his *glasnost* and *perestroika*, the Soviet Union is the flavor of the month.

Hip boutiques are selling Lenin pins and hammer-and-sickle T-shirts. U.S. opinion polls are giving Mr. Gorbachev approval ratings higher than those for all the Democratic presidential candidates except the Reverend Jesse L. Jackson.

Russian language studies in U.S. colleges and universities are up almost 12 percent since 1983.

During a fashion show in October, the actress Colleen Dewhurst watched the Soviet country Vyacheslav Zaitsev twirling before the crowd in his emerald green silk jacket and black silk pants and said, "To look at him on the runway with all his openness — you know why you love the Russians."

Travel agents are predicting a 60 percent rise in American trips to the Soviet Union by the end of the year, compared with 1986. "Everything Soviet is suddenly very romantic," says Helen Simonson, a spokeswoman for General Tours, a large U.S. tour operator to the Soviet Union. "Everybody's into it."

What's going on here? Only yesterday the Soviet Union was everything grim, gray, brutal and bureaucratic. The image of Russians gathered for years from U.S. television and magazines was one of people who looked like cinder blocks wrapped in Value Village overcoats, bleak and stolid in a combination that is Communism's unique contribution to cultural esthetics.

But now, even with the thick roster of protests planned around Mr. Gorbachev's visit to Washington next week, the atmosphere is changing in one of those great lurches of national feeling that foreigners find both charming and frightening about the United States.

It was just over a year ago that a U.S. journalist, Nicholas Daniloff, was being framed in Moscow. It was only last February that the KGB was beating up Moscow demonstrators in front of Western television cameras. But the U.S. Speaker of the House, Jim Wright, said in May that "relations between our two countries have never been better since World War II."

The U.S. publisher Harper & Row is selling Mr. Gorbachev's book, "Perestroika," as the book of the year by the statesman of the year. "People magazine devoted an entire issue to the Soviet Union."

On television news, the Soviet people are looking better and better. Stephen Cohen, a Sovietologist at Princeton University, said that under Mr. Gorbachev, U.S. viewers "are seeing more of the Soviet Union" at the same time that "the gray stereotypes have become more Westernized."

The main attraction, of course, is Mr. Gorbachev.



THE OLD... the most common... will have... found what... color orange... in armorial... not note... I was, it was... gem of that... course, innum... usages of th... English lang... a that most... now better... set in olden... ay responsible... word "sophis... say, Beau Br... that charac... in the sense... d. However, "sophisticated" not begin to... until some... -1840), the word meant to be related, impute.

COULD list hundreds of... come up against, in the... work, that did not exist... of which I was writing... ch I never could find a... time, archaic or obsolete... ste.

am working now on a... Roman Empire times... are an engraving of... in matter wearing her... at I immediately recog... "ovetail." It would be... all help to me if I knew... called her hairdo in L... d. I would be of more... ed out what her sisters... (who frequently wore... affire) called it in the... of that day. Then I could... e a stab at adapting the... to modern English.

You would think that... imment of the actions... ve recognized that... onvivial: what better... here be for? But edito... em, none of them did... 1981, according to West... New College Dictionary... some bright gal exclaim, "What... a ponytail!" and get the... respectably into print.

Gary Jennings' book... "World of Words" published... November in 1984. William... assignment outside the... State.

HTS LOW COST FLIGHTS

ARUNACHAL COME TO BOARD

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HOTELS

ITALY

Venice ***

La Fenice et des Isles

USA

TUDOR HOTEL New York City

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Singapore 66-66-66

Tokyo 33-33-33

NEW ZEALAND

Prime Minister Ozal Is Returned to Office With Majority in Turkey

ANKARA — Prime Minister Turgut Ozal swept back to office Monday with an absolute parliamentary majority.

With less than 2 million of the 26 million votes still to be counted, officials said Mr. Ozal's conservative Motherland Party was set to win about 290 seats in an expanded assembly of 450 seats.

Only two of five other parties, the center-left Social Democrat Populist Party and the right-of-center True Path Party, led by former Prime Minister Süleyman Demirel, were likely to win seats.

Former Prime Minister Bulent Ecevit, who ordered troops into Cyprus in 1974, decided Monday to quit politics after the defeat of his Democratic Left Party. It apparently failed to win the necessary 10 percent of the vote to get seats.

Mr. Ecevit, 62, three times prime minister in the 1970s, said in a written statement: "Both myself and my wife, who is the deputy chairman of our party, decided to quit active politics."

Mr. Ecevit and Mr. Demirel were among politicians who were banned from public life by the military in 1982 and rehabilitated by a referendum in September.

Turkey, with foreign debt payments for this year estimated at \$5.1 billion, repaid \$3.49 billion between January and August.

The free currency market reacted positively to Mr. Ozal's denial of a devaluation. The dollar rate fell to 1,100 lira after reaching a high of 1,164 on Friday, a 20-percent premium over the Central Bank rate.

Mr. Ozal set up a free-market system to replace bureaucratized state planning, bringing the first taste of prosperity in decades.

The generals ruled for three years, long enough to oversee the writing of a constitution. Then they stepped down after supervising an election involving only those parties and candidates that they approved.

But many Turks, as well as Western European governments, did not consider Mr. Ozal's victory legitimate, because former leading politicians were not allowed to participate. The Western European view was important to Mr. Ozal, who has pushed for Turkish membership in the European Community.

Mr. Ozal last summer proposed a referendum on lifting the ban on Mr. Demirel and Mr. Ecevit.

In September, when Turkey's 26 million voters agreed by a razor-thin majority to allow the banned politicians back into politics, Mr. Ozal immediately called new elections, apparently confident that he could prevail over the politicians from the turbulent past.

Shift From Turbulence
Earlier, Loren Jenkins of The Washington Post reported from Istanbul: Political analysts viewed the vot-



Prime Minister Turgut Ozal said "there won't be a coalition government" after he won the parliamentary elections.

Raisa's Role: 'Everything'

WASHINGTON — Questioned by Tom Brokaw of NBC, Mikhail S. Gorbachev commented on role of his wife, Raisa.

"We've all noticed the conspicuous presence of Mrs. Gorbachev in your travels. Do you go home in the evening and discuss with her national policies in Moscow or Eltsin's records."

He also said Mr. Gorbachev appeared "very self-confident, very much at ease with his surroundings and very candid about the nature of the job before him."

The Soviet leader is scheduled to arrive in Washington on Dec. 2 for a summit meeting with Mr. Reagan, at which the two are to sign a treaty scrapping intermediate-range missiles.

In the interview, Mr. Gorbachev said that he had received about 80,000 letters from Americans expressing worry "about the situation in the world" and "the state of Soviet-American relations."

"How can we change relations between our peoples for the better?" he asked rhetorically. "The Americans say, why can't we be allies? Can't we join our efforts to pool the enormous might of our countries' economic and intellectual capacities to resolve all these problems?"

"And that is very important," he said. "We need mutual understanding, and I believe that we must display greater respect for each other."

He was asked whether the Soviet Union is prepared to reduce the number of men, tanks and attack helicopters it has in Europe.

He said that Moscow's military doctrine is defensive, not offensive, and added: "There is a certain asymmetry, both in forces and armaments, and we're prepared to address ourselves to that without delay. We have made our proposals, and we are awaiting a more active position, a more active response from NATO."

"And therefore we are prepared to deal in practical terms. We are ready to sit down at the negotiating table and tackle these problems in practice."

Asked to assess the chances of a U.S.-Soviet treaty to reduce by half both sides' intermediate, or strategic, nuclear missiles, Mr. Gorbachev said:

"I believe that in this matter, which really constitutes 'the very core of Soviet-American relations, there are real prospects ahead of us."

Mr. Gorbachev said he believes "that it is possible to do a lot of work with this present administration so that we could make headway on this major direction in the area of arms control. We will act constructively, and I guess the Americans and the world at large have convinced themselves that we can and we are indeed acting constructively."

Mr. Brokaw asked if the Strategic Defense Initiative has been "slightly diminished in your judgment as a condition for the reduction of ICBMs?"

Mr. Gorbachev replied:

"I believe that the question of SDI is not a subject for negotiations. We shall be talking about strategic offensive arms, about levels and sublevels, and we have some steps that could take to meet the American position halfway. And we've already taken some."

"We shall be talking about the strict compliance with the ABM Treaty."

"We are prepared to accept a 50-percent reduction in strategic missiles, Mr. Gorbachev said, 'in the first stage, with strict observance of the ABM Treaty. To the degree that SDI does not run counter to the ABM Treaty, let America act or 'indulge in research."

"Insofar as SDI does not run counter to ABM, that is not a subject for negotiations."

Mr. Gorbachev was asked why the threat could not be eliminated by negotiating a large cutback in strategic missiles so that the need for SDI would be removed.

"That precisely is what I suggested to President Reagan in Reykjavik," he said. "And we were just about two paces away from signing an agreement on that score, but SDI came and stood between us. He was referring to a meeting with Mr. Reagan in Iceland in October 1986."

"If we agree at the first stage to make 50-percent cuts in our strategic offensive arms," Mr. Gorbachev said, "and then to go on and fully eliminate nuclear weapons, then the question does arise: why, what is SDI for, and what is the militarization of outer space for?"

KREMLIN: Arms Cut Chance

(Continued from Page 1)

ry and the issues, particularly human rights. There were some vigorous exchanges."

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Airline President Says Terrorism Is Suspected In Crash of Korean Jet

By Clyde Haberman
New York Times Service

SEOUL — A South Korean passenger plane was confirmed Monday to have crashed in the jungle along the Thai-Burmese border, and the airline president said a terrorist bomb was the most likely cause.

Korean Air Flight 858, a Boeing 707 carrying 115 people, had been missing for nearly a day after vanishing on its way to Seoul from the Middle East.

Speculation on its fate had included a hijacking, a midair explosion or simple mechanical failure. The plane, bought in 1971, had a history of trouble and reportedly was to have been taken out of service Jan. 1.

As recently as Sept. 2, its landing gear could not be lowered and it had to make a bumpy landing at Kimpoo International Airport in Seoul.

The Korean Air president, Cho Chongun, said Monday evening, however, "It's difficult to think of any other explanation except that it was a bombing."

The only possible explanation, Mr. Cho told Korean television reporters, were bad weather, mechanical failure and sabotage.

"Of all three possibilities," he said, "Korean Air thinks that terrorist bombing is the most likely."

He did not say whom he suspected, other than an unspecified "bad element."

His conclusion appeared to be based on conjecture, not on any physical evidence. By late Monday night, no search team was reported to have reached the crash site in western Thailand near the Burmese border, about 150 miles (245 kilometers) west of Bangkok.

Confirmation of the crash came Monday afternoon, based on a helicopter sighting and on reports from Thai villagers near the crash site, who told of seeing the plane and then hearing an explosion.

Because of fog, poor roads and mountainous terrain, the rescue team was not expected to reach the scene until Tuesday. News agencies in Bangkok said officials held little hope of finding survivors among the 95 passengers and 20 crew members.

Most of the passengers were South Korean construction workers returning from the Middle East, where South Korean contractors are prominent; 55 worked for Hyundai Construction & Engineering Co. Also on the passenger list was the South Korean consul-general in Iraq, Kang Suk Jae.

The only non-Koreans on board were an Indian and a Lebanese national who had been living in the United Arab Emirates.

Flight 858 began in Baghdad, stopped in Abu Dhabi and was en route to Seoul when it disappeared from radar screens in Abu Dhabi. Reuters quoted the local Korean Air manager as saying that the airplane was "perfect mechanically" when it left for Bangkok.

Mr. Cho said that if mechanical problems were to blame, the pilot probably would have had time to send a message to Bangkok or to sign off any problem before the jet vanished, he said.

In fact, he added, the pilot, Kim Jik Han, told Bangkok air controllers that he expected to land in half an hour.

"It's a distance you can fly with your eyes closed," Mr. Cho said.

In 1983, all 269 people aboard a Korean Air Lines flight from Anchorage, Alaska, to Seoul were killed when a Boeing 747 was shot down over the Soviet island of Sakhalin.

WORLD BRIEFS

32 Die in 2 Days of Sri Lanka Fighting

COLOMBO (AFP) — At least 32 Indian soldiers were among 32 persons killed in Sri Lanka in two days of fighting between Tamil guerrillas and the Indian peacekeeping forces, officials said Monday.

Eleven Indian soldiers were killed as they were trying to clear a minefield in the Jaffna Peninsula on Sunday. It was the highest Indian death toll in a single incident since an offensive began on Oct. 10. The officials said another Indian soldier died Sunday in an exchange of fire in the northern village of Sandilipatti, 12 rebels were killed by Indian troops, the officials said. They said eight guerrillas were killed as soldiers stormed a rebel hideout in Batticaloa. Indian troops started the offensive after the rebels rejected the Indian-Sri Lankan peace accord of July 29 and refused to surrender their arms.

Iran Reports Iraqi Air Raid

NICOSIA (AFP) — Iraqi aircraft raided a civilian area in the central Iranian city of Hamadan on Monday, Iran's official Islamic Republic News Agency, monitored here, reported. There were no reports of casualties or damage.

In Baghdad, meanwhile, the anti-Iranian group called the People's Mujahideen announced that its armed wing had killed 248 Iranian soldiers and taken 37 prisoners in an operation Saturday south of Khorram in the west-central Iranian province of Kermanshah.

18th Game of Chess Match Is Drawn

SEVILLE, Spain (Reuters) — The 18th game of the world chess championship between the titleholder, Garry Kasparov, and his challenger, Anatoli Karpov, was agreed drawn after 40 moves on Monday. The 24-game match now is tied at nine points apiece.

GAME 18
QUEEN'S GAMBIT DECLINED

White	Black	White	Black	White	Black
Kasparov	Karpov	Kasparov	Karpov	Kasparov	Karpov
1. e4	e6	15. Bb5	Qc7	29. Rxe5	Rxe2
2. Nc3	d5	16. Qd3	Rf8	30. Ng	Ng
3. d4	d4	17. Rf1	Rb8	31. Rf7	Rf7
4. Nf3	Nf6	18. B3	Rb7	32. Ra7	R4
5. Bg5	h6	19. Bxe6	Rxb1	33. g3	h5
6. Bb4	0-0	20. Qd1	Qxc6	34. Kf2	g5
7. Bc2	b6	21. de	Qxd5	35. e4	e4
8. Bc1	b7	22. Ne2	Qf7	36. Rf3	Rf3
9. Bxf6	b6	23. h4	Ne5	37. Ke3	Ke3
10. e5	ed	24. Nxe5	Bxe5	38. Kf4	Rf4
11. h4	e5	25. Rf1	Qc5	39. Kf5	Rd2
12. e6	he	26. Qc2	Qc2	40. Kf5	Re2
13. Rb1	Re6	27. Qe2	Rxe2		Drawn.
14. 0-0	Nd7	28. Rf2	Rxe2		

2 Die in Pakistani Election Violence

ISLAMABAD, Pakistan (AFP) — Two persons were killed when rival groups exchanged gunfire at a polling station in Karachi as Pakistan's nationwide local elections began amid tight security Monday.

Witnesses said polling began briskly as Pakistan's 47 million voters went to the polls after the police detained hundreds of suspected dissidents overnight.

Official sources in Karachi said one person was killed and three injured in the clash between rival supporters in the volatile Korangi district, which was placed under curfew last month after bloody ethnic riots.

For the Record

Major Basilio Fernandez, an aide of the Philippine coup leader, surrendered before the deadline Monday for ministers to return to military service, the authorities said. He is the third aide to Colonel Gregorio Honasan to surrender in two weeks. (UPI)

Blacket-wielding rebels of the Mozambican guerrilla organization Renamo murdered a couple and their five young children in northeast Zimbabwe, the official Zimbabwe news agency Zina reported on Monday. Zina said the deaths brought to 48 the number of Zimbabweans murdered by rebels in the past two months. (AFP)

TRAVEL UPDATE

Italian Transport Disrupted by Strikes

ROME (AP) — Work stoppages by ground personnel at Rome's Leonardo da Vinci airport forced the cancellation Monday of 74 flights, airline officials reported.

Meanwhile, a 24-hour strike by railroad conductors, which stopped most trains in Italy, ended at 2 P.M. on Monday. It followed a 24-hour strike by rail engineers.

Correction

A report in the Nov. 17 issue of the International Herald Tribune incorrectly stated that Fiji has lost access to the Lomé Conventions because of the coup this year. The nature of the agreement is contractual and cannot be abrogated unilaterally.

CHIC: For the Americans in 1987, Gorbachev Is No. 1

(Continued from Page 1)

bechev, who is scheduled to arrive in Washington next week for a summit conference with President Ronald Reagan and the signing of a treaty on removing medium- and shorter-range nuclear missiles from Europe, with hints of possible further agreements on arms reduction.

No Soviet leader since World War II has received such acclaim. In the two and a half years since he became general secretary, he has become a symbol of Western hope for change in the Soviet Union.

Henry Kissinger can warn that if Mr. Gorbachev succeeds, "the democracies will in the long run be less secure," and Senators William Proxmire and Bill Bradley can worry about the wisdom of giving trade benefits to an adversary, but these voices are small ones amid the clamor.

One explanation for the enthusiasm is that Mr. Gorbachev, 56, took power after a seemingly endless parade of silling old men: Leonid I. Brezhnev, who ruled (along with Alexei N. Kosygin at first) from 1964 until he died in 1982; then the KGB boss, Yuri V. Andropov, who died in 1984; and Konstantin U. Chernenko.

But this theory does not allow for the possibility that Mr. Gorbachev is at least in part a creation of eager imaginations that might have fastened on anybody.

"Western journalists think of power in personal terms," says Dimitri Simet, a Soviet émigré and senior associate at the Carnegie Endowment for International Peace. "I am extremely disturbed by it."

22 Die in Indian Train Blaze

The Associated Press

NEW DELHI — At least 22 persons were killed and 16 were injured when a gasoline can carried by a passenger caught fire on an Indian train in the western state of Rajasthan, the United News of India reported.

he said "Gorbachev is the most interesting, intellectual and creative statesman of our time. He is also an intellectual and creative Communist. It is a flaw in this country's body politic — either we demonize completely, or we go overboard with enthusiasm. All populist cultures have a tendency to go from one extreme to another."

Also, there is always a star that burns brightest in the international firmament: Kennedy, Khrushchev, de Gaulle, Mao, and more recently, to the disbelief of American liberals, Ronald Reagan.

Now it is Mr. Gorbachev, a man who seems to be beating the United States at its own game by suddenly accepting proposals for on-site missile inspections (to the alarm of the Reagan) and outperforming Mr. Reagan as the Great Communicator.

"I really want Gorbachev to be for real," said Jessica Truc, 18, a salesperson at Commander Salamander in Georgetown, which offers a variety of Soviet-inspired T-shirts, hammer-and-sickle suspenders and earrings, and red star pins. "People are freaking over the Persian Gulf, and they want the bombs gone."

Was it this passion that Mrs. Gorbachev perceived when, according to one Soviet official, she urged her husband to "go over the head" of Mr. Reagan and direct an appeal straight to the American people?

Few things inspire Americans as much as the vision of the peaceable kingdom where the lion lays down with the lamb, paradise regained, Rousseauian noble savagery vindicated at last. (It is worth noting Woody Allen's Corollary: The lion will lay down with the lamb, but the lamb won't get much sleep.)

Paul Hollander, a sociologist at the University of Massachusetts and the Russian Research Center at Harvard, writing in "Soviet and American Society," said:

"Although there is little substantive similarity between the ideals of the Puritans and 18th-century Russian Revolutionaries, and the Russian Revolutionaries of the 19th and 20th centuries, the attitudes of these diverse groups have an important, if obvious, common bond: the belief that it is possible to alter society fundamentally, that radical new departures in human affairs are feasible and that accumulated historical antecedents of injustice, oppression and privation can be undone by human will and exertion."

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ARMS: Major Shifts Are Foreseen in Soviet Arms Policy Under Gorbachev

(Continued from Page 1)

ations or Soviet reductions on its own, the shifts could be historic.

The huge and growing military power of the Soviet Union — both real and perceived — and its increasing global reach have been at the heart of East-West tensions in the last 40 years, often provoking new waves of military buildup in the West. A lessening of the Soviet military threat could in time transform, and perhaps even end, the Cold War.

In some respects, the redefinition of Soviet requirements is strikingly reminiscent of the Nixon administration's shift in 1969 from a goal of "strategic superiority" in nuclear weapons to acceptance of "strategic sufficiency."

The Nixon shift was not defined in detail, but the change justified the imposition of limitations on the U.S. strategic defense budget and the negotiation of arms control agreements that permitted a Soviet advantage in some areas.

"We believe that armaments should be reduced to the level of reasonable sufficiency, that is, a level necessary for strictly defensive purposes," Mr. Gorbachev wrote in his newly published book, "Perestroika."

"It is time the two military alliances amended their strategic concepts to gear them more to the aims of defense," he wrote.

Mr. Gorbachev has expressed much the same idea many times in recent months. On May 29, the Warsaw Pact declared this to be a key element of its official doctrine, pledging to "strictly comply with the limits of sufficiency for defense, for repelling possible aggression."

The Warsaw Pact communiqué called last summer for consultations with the North Atlantic Treaty Organization on the military doctrines of East and West in light of the new Soviet thinking.

Although NATO has not responded to this challenge, U.S. officials said the Atlantic alliance would soon accept such discussions on condition that they be a serious and limited conversation about specifics of force structures.

These discussions are likely to take place next summer or fall in the context of new East-West negotiations about stability and conven-

and a few military officials with quasi-political jobs at the Central Committee of the Communist Party, on the one hand, and career military officers on the other hand.

"The career military people don't buy it," Mr. Hansen said.

So far, most Soviet statements on the concept of reasonable sufficiency have been general, with many more declarations from semi-official experts and publications than from Soviet officials.

In an effort to provide more definition from an official source, the Soviet Foreign Ministry recently made available a concept document of policy planning. Lev Mendelovich, who has been deeply involved in the evolution of the concept.

Mr. Mendelovich, interviewed in October during a visit to Moscow by Secretary of State George P. Shultz, drew a clear distinction between the application of reasonable stability in the nuclear field and in the field of conventional, or non-nuclear, forces.

In the nuclear arena, Mr. Mendelovich said, the concept ultimately calls for the complete elimination of nuclear weapons but, in the meantime, it describes a condition of "strategic stability."

This condition, which has drawn the interest of Mr. Shultz and other U.S. officials, was defined by Mr. Mendelovich as "when each side retains the capability for a retaliatory strike, but neither side has a disarming first strike."

This concept has long been advanced by Western arms control specialists, but has only lately been embraced, even to this extent, by the Soviet Union.

There is no official calculation of the level of nuclear force required for this condition, but U.S. experts said it would be well below the proposed cuts of up to 50 percent in U.S. and Soviet strategic nuclear forces now under negotiation by the two nations.

A semi-official Soviet study of "Strategic Stability Under the Conditions of Radical Nuclear Arms Reductions" given to foreigners in Moscow this year concluded that about 600 mobile single-warhead intercontinental ballistic missiles on each side, a total of 1,200, would be sufficient to achieve strategic stability in the absence of anti-missile defenses, which the Soviets consider destabilizing.

This would be a cutback of about 95 percent from the roughly 25,000 land-based, submarine-based, sea-based and bomber-based warheads in the two strategic arsenals now.

A key aspect of reasonable sufficiency, which implies that major cutbacks can be made without endangering national security, is the concept of "asymmetrical reductions" under which the greatest reductions would be made by the side with the largest forces, which in most cases is the Soviet Union.

This principle was a crucial facet of the intermediate nuclear forces agreement, which requires the Soviet Union to eliminate four to six times as many nuclear warheads as the United States, depending on the calculation being made.

In the U.S. view, disproportionate cuts also will be essential to negotiations on reductions in conventional forces in Europe, which are expected to begin next year.

According to the most recent edition of "Military Balance," published in November by the International Institute of Strategic Studies, the Warsaw Pact has an advantage in Europe of more than 2-1 in main battle tanks, 3-1 in artillery and mortars and 5-1 in surface-to-air missiles.

A U.S. official said the NATO allies were nearing agreement in confidential talks on an objective of cutting back major weapons in Europe to equal levels, which would require large Soviet cuts and few if any cuts by NATO.

It is uncertain to what extent the Soviets will accept such disproportionate cutbacks in conventional forces. But the Soviet willingness to speak publicly of asymmetrical reductions, and to act decisively to agree to them in the case of the intermediate nuclear forces treaty, is a far-reaching change.

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Atlanta Cubans Get Details of Accord, But Seem Unmoved

The Associated Press
ATLANTA — Cuban inmates holding 90 hostages at a prison here have been briefed on the agreement that ended a siege in Louisiana, but officials expressed little optimism for a quick resolution to the Atlanta standoff.

The briefing was given by three Cuban emigrant leaders, who visited the U.S. penitentiary in Atlanta late Sunday, said Patrick Korten, a U.S. Justice Department spokesman.

That afternoon, Cuban prisoners in Oakdale, Louisiana, surrendered after receiving promises of individual reviews of their immigration cases and no reprisals for the damage to the prison. The inmates released 26 hostages, whom they had held for eight days.

News of the end of the Oakdale siege was greeted with apparent indifference by the Cubans detained in Atlanta, officials said.

"There has been no reaction, no

celebrating, nothing discernable," said another Justice Department spokesman, Thomas Stewart.

Before the resolution in Louisiana, four hostages in Atlanta were released.

Mr. Stewart said there had been no significant progress in talks with leaders of the more than 1,120 Cuban detainees in Atlanta. Nor, he said, was there reason to believe the Oakdale developments would affect the Atlanta standoff.

"We have no way of knowing what impact it will have," he said. "There has not been much indication throughout the uprising that there was any kind of linkage."

In Atlanta, he said, "by and large, it is more hard cases. The Oakdale detention center is something quite a bit softer in penal terms."

Also Sunday, officials announced that water had been turned back on at the Atlanta prison. It had been shut off Friday.

The end of the siege in Louisiana followed a videotaped appeal to the detainees by an auxiliary bishop, Agustin Roman of Miami, but officials in Atlanta said it was unlikely that the bishop would go there.

In Oakdale, nearly half the Cuban inmates were transferred Monday to other prisons.

The U.S. medical center for federal prisoners in Springfield, Missouri, received 46 Oakdale inmates Monday, said Keith Hayes, an administrative assistant there.

The Cubans rioted after a government announcement of the deportations to Cuba of 2,500 "undesirables" who arrived in the United States in the 1980 Mariel boatlift. Oakdale was seized Nov. 21. The Atlanta riot began a week ago Monday. The inmates demanded that they be allowed to remain in the United States.

In his videotaped message, Bishop Roman said he had reviewed a document offered by the government promising individual case reviews for those facing deportation.

The agreement also promised no reprisals for damage to the \$17 million prison, which was badly damaged by fires. Officials said it would be rebuilt.

Bishop Roman, the highest-ranking Cuban-born priest in Miami's Roman Catholic archdiocese, expressed willingness to work to end the Atlanta prison takeover if officials asked him.

The Oakdale agreement could be helpful in negotiations with the Atlanta inmates, said Rafael Penalver, Bishop Roman's lawyer and chief negotiator.

"I think it can be applicable and I think it's an agreement that when it was worked out it was perceived with a much broader picture than just the Oakdale situation," he said. "We were thinking of all the detainees of Mariel who are detained in several prisons around the country."

The agreement still could lead to some Cubans being deported to their homeland, Mr. Penalver said.

"What the bishop wanted to ensure was that we have a fair process in which each individual case could be reviewed before a panel that would listen to each individual story," he said. "Each of those Mariel detainees has a story and many feel that they have never had a chance to tell that story."

Mr. Korten, who is the Justice Department's deputy director of public affairs, ruled out an immediate invitation to the bishop to participate in Atlanta talks.

The agreement, typed on stationery from the office of the U.S. attorney general, Edwin Meese 3d, included guarantees of individual reviews of inmates' status and medical treatment for those needing it.

"We did not give away the store," said J.D. Williams, a regional director of the U.S. Bureau of Prisons. "I think it's a good agreement."

Mr. Meese, in a statement released in Washington, said, "While this is understandably a time of rejoicing and thanksgiving, the Department of Justice will not rest until the situation in Atlanta is also peacefully concluded and all the hostages there are released."



A Cuban detainee in Louisiana before the siege there ended.

Inmates: Young, Rural and Hardened

By Ronald Smothers
New York Times Service
ATLANTA — Many of the Cuban inmates in the federal penitentiary here are unsophisticated rural people who have been hardened by years in prisons for infractions as minor as disagreeing with the government of Fidel Castro while in Cuba or failing to pay traffic tickets in the United States, according to those who know them.

They see U.S. society through a haze of cultural differences, said Lily Delgado, a volunteer with the Roman Catholic Diocese of Atlanta who visited some of the Cubans before they took over the prison early last week.

Over the years, that image has been distorted further by prison life and the sense that they have been forgotten. They are mistrustful and frustrated, she said.

Despite the frustrations, the men still retain some of the religious and family values they held in Cuba. Reminders of those values could be heard during the siege.

Speaking Sunday over a two-way radio, one of the inmates said he was "very sorry for the suffering" he and the other Cubans were causing their families and those of the hostages they held. He spoke of the detainees "praying every day" for guidance and added that all they wanted was to be freed.

For the most part they are in their 20s and early 30s. Most of them have served sentences for crimes committed in the United States but are still being held while their immigration status is reviewed. Until the United States revived an agreement with Cuba that would allow some to be deported, many thought they would eventually be freed in the United States.

A television cameraman who was admitted to the prison Thursday night said he went in

expecting to see "rough characters" and instead saw "a lot of terrified kids."

Carlos, a 26-year-old inmate who since learning English at the prison signs his name "Charlie," said in a letter to his attorney earlier this year that he could not say what he would do if he were released or whether he would be able to adjust to U.S. society.

"I'd be like a new baby," he wrote. "I've never been on the streets before."

The lawyer, Fred Gleaton, would not give Carlos's full name. He said the man was been

least one detainee who had murdered someone in Cuba and had assaulted inmates in prison in the United States.

The lawyer said he had declined to take the case because the release of the inmate seemed unlikely and perhaps undesirable.

Another detainee, released two years ago, was accused of killing two nuns at a social service agency in Texas.

"There is no question that the group there now is a little different from the majority of the Mariel Cubans who were being detained in 1981 or 1982," said Dale Schwartz, an immigration lawyer. "All of these have had some prison time and committed some kind of crime here or in Cuba, while many five years ago had no such record."

Yet their crimes run the gamut, said Myron Kramer, a lawyer who has represented some of the Cubans. While it may be "a harder prison population than before," many of the inmates had led relatively stable lives before being sentenced for minor crimes, he said.

It was impossible to obtain a detailed breakdown of the crimes committed by the inmates in Cuba or the United States. But a June 1986 report on the Atlanta inmates by the U.S. Immigration and Naturalization Service said 403 had served terms for drug charges, 304 for burglary, 185 for assault, 130 for theft and 124 for armed robbery.

At least five had been accused of murder. Sixty were being held for weapons offenses, forty for violating the rules of halfway houses to which they were released and eight for driving without a license.

A handful were being held for food stamp fraud, fighting and drunkenness, vandalism, trespassing and shoplifting.

"Clearly many are nondangerous," said Mr. Schwartz. "But we haven't been dealing with them as individuals."

There is no question that the group there now is a little different from the majority of the Mariel Cubans who were being detained in 1981 or 1982.
 — Dale Schwartz, immigration lawyer

Supervised Vote Urged For Haiti

Compiled by Our Staff From Dispatches
PORT-AU-PRINCE, Haiti — A presidential candidate called Monday for an international force to supervise voting in Haiti, where a terror campaign ended an attempt to hold free national elections.

At least 34 people died Sunday in election day violence, including more than a dozen killed at one polling place.

Silvio Claude, a Protestant minister and candidate of the Christian Democratic Party, said an international peacekeeping force should supervise elections unless the United States forces the junta to resign.

He said: "We call on a group of nations — the Organization of American States or the United Nations — to send multinational forces to conduct elections if the 'United States' — which he called 'the boss' of the junta — 'doesn't force it to step down.'"

The United States is often accused in Haiti of propping up the three-man junta led by Lieutenant General Henri Namphy.

On Monday, the United States said it was cutting off nonhumanitarian aid to Haiti because of the election fiasco.

In Washington, Walter E. Fauntroy, a Democrat who represents the District of Columbia in the House of Representatives and is chairman of the U.S. congressional task force on Haiti, said: "The only hope of the Haitian people is some sort of intervention by the international community with the leadership of the United States."

He said the world must intervene "or the Haitian people are lost to this gang of savage thugs."

Mr. Fauntroy said he had "eyewitness reports of people who were standing in line to vote being mowed down with machine-gun fire and then finished off with machetes."

The National Government Council, the junta, said it would remain in power for now. It suspended the Provisional Electoral Council, who were responsible for setting up the elections Sunday, which would have restored civilian rule.

General Namphy insisted that a new president would be inaugurated in February. He did not say when an election would take place.

Security remained high on Monday with troops stationed along the Boulevard Jean-Jacques Dessalines, the main commercial thoroughfare of the capital, and trucks filled with policemen and soldiers rolling through the city.

The Provisional Electoral Council canceled the elections after bands of roving gunmen fired at voters in polling places.

Following the cancellation, the nine members of the council were dismissed by the government and have taken refuge in Western embassies, Radio Metropole, a Port-au-Prince station, said.

The military junta has ruled Haiti since shortly after Jean-Claude Duvalier fled into exile on Feb. 7, 1986. Mr. Duvalier succeeded his father, Francois Duvalier, whose election in 1957 began a 29-year reign by the family.

In a statement issued in Washington, the State Department said it was halting nonhumanitarian aid in response to the action of Haiti's provisional government in "dissolving the Provisional Electoral Commission and abrogating all electoral legislation."

Meanwhile, in Paris, Mr. Duvalier, who is living in France, appealed Monday for "general reconciliation" in Haiti and denied any involvement in the election violence.

In a statement issued through his lawyers, Mr. Duvalier expressed his "immense sadness at the clashes currently taking place."

His statement came after the French government expressed "consternation" at the cancellation of the elections.

The French Foreign Ministry denounced what it called "strong-arm tactics inspired by elements linked with the former dictatorship" of Mr. Duvalier.

(UPI, NYT, AFP, Reuters)

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Afghan General Sparks Gun Battle in Kabul Near Assembly Meeting

United Press International
KABUL, Afghanistan — A former Moslem rebel leader who became an Afghan Army general after switching sides broke into the security zone ringed the site of a government-called assembly, sparking a gun battle that left at least two dead and one wounded.

The clash came as a national assembly meeting was under way and a day after guerrillas fired rockets into the area as the Afghan leader, General Najib, was delivering an opening address.

General Najib was unanimously elected president on Monday, and he announced a new plan to end the war in Afghanistan. The plan includes the withdrawal of Soviet forces in a 12-month period if the rebels accept.

The Afghan government spokesman, Hasmat Kabani, said the fighting in Kabul erupted on Monday when General Ismat Muslim, a convention delegate, and his supporters defied a ban on carrying weapons into a mile-wide security zone of Soviet and Afghan tanks, armored cars and troops around the assembly meeting.

Mr. Kabani said he was still waiting for a report on the incident and could not say whether there were any casualties. He could not give the whereabouts of General Muslim, but a Soviet official said the general was believed to have survived.

Western reporters returning to their nearby hotel saw two bodies lying on the road. A third man also was on the ground, but he was moving.

An unconfirmed report said as many as four people were killed.

General Muslim, whose reputation is one of an eccentric nonconformist, was made a general in the Soviet-backed Afghan Army when he deserted two years ago. He had been the commander of a large guerrilla force based in the southern city of Kandahar, and he many of his fighters with him when he deserted.

The rebel forces are fighting to topple the Communist government and end an almost eight-year occupation of Afghanistan by Soviet troops, estimated at more than 110,000 men.

"This commander did not observe the security measures for those entering the compound," Mr. Kabani said. "He not only did not follow orders of the security forces, but also the warning of the security forces, and he fired at them."

General Najib, 41, a former secret police chief who is general secretary of the ruling People's Democratic Party of Afghanistan, announced that he would extend a cease-fire that he first called Jan. 15 for a third six-month period.

In an appeal to leaders and field commanders of the main seven-group alliance of Moslem rebel groups, General Najib spelled out the conditions of his new plan.

He said that "if interference in the internal affairs of Afghanistan is stopped" — a reference to military aid supplied to the rebels by the United States, Iran and China — and they were to observe the cease-fire and open negotiations on forming a coalition government, conditions would exist for the withdrawal of Soviet troops.

He said Moscow had already approved an Afghan proposal to be presented at the next round of United Nations-sponsored talks with Pakistan for ending the war.

The plan calls for shortening a proposed timetable for the return of Soviet forces to 12 months from 16 months.

"The 12 months term for the withdrawal can be reduced," General Najib said, "provided the leaders of the seven-party alliance would reciprocally pledge to accept cease-fire for another six months and guarantee nonresumption of combat operations in the future."



PORK CHOPPER — A butcher readying pork for buyers in Beijing as some Chinese braced for rationing. Officials are trying to cope with a slowdown in deliveries by farmers, who, according to the China Daily, are seeking greater subsidies. Ration coupons will be issued Tuesday in Shanghai and Tianjin; Beijing has escaped the plan so far. Shanghai residents will get a kilogram of pork a month and Tianjin residents will get 1.25 kilograms.

Pentagon Study Finds NATO's Conventional Forces Can Deter Attack

By Bernard E. Trainor
New York Times Service
WASHINGTON — While outnumbered by Soviet forces, NATO has sufficient conventional strength to make a Soviet attack highly unlikely, according to a classified "net assessment" of opposing strengths and weaknesses prepared by the Joint Chiefs of Staff.

The assessment was prepared before the United States and the Soviet Union worked out the remaining details of a new treaty to ban medium- and shorter-range nuclear missiles. The impending agreement has focused renewed attention on the balance of conventional forces.

Many military and political leaders in Europe are concerned that the removal of the U.S. Pershing-2 and cruise missiles will leave the Warsaw Pact with a decided conventional military edge, weakening the North Atlantic Treaty Organization's deterrent strategy.

By most counts, the Soviet Union and its allies outnumber and outgun NATO in conventional forces in Central Europe. The Russians have 1.7 times the number of personnel as the West, 2.7 times as many main battle tanks, 2.7 times as much artillery and 3.3 times as many attack helicopters.

Some authorities say that with short preparation time, the Warsaw Pact could overwhelm NATO with an 8-1 combat advantage at the point of main attack. "But as the who follow professional football know," a Pentagon analyst said, "making comparisons on the basis of numbers and statistics can be misleading."

In assessing the relative strength of the two alliances, many variables, such as the effectiveness of opposing weapons and the quality of troops and leadership, must be taken into account. Political factors, including the reliability of allies, must also be considered. Equally important are economic factors such as each side's industrial ability and mobilization base.

Each year the Defense Department prepares a comprehensive and highly classified assessment of U.S. and allied strength against potential enemies to take these variables into account and to validate the NATO strategy of deterrence.

The Joint Chiefs completed their first assessment of the current military balance in the summer. In it they also looked at a comparison of forces in 1994 based on projections of current U.S. and Soviet military programs. The report was forwarded in August to Secretary of Defense Caspar W. Weinberger.

Pentagon officials said the study and war games associated with it concluded, as did earlier assessments, that NATO was strong enough to deter a Soviet attack to Europe and was likely to remain so in the future.

While the impending missile treaty was not specifically considered in the assessment, both nuclear and nonnuclear scenarios were evaluated by the Joint Chiefs. Reportedly, Mr. Weinberger concurred with the assessment, and his earlier this month, in one of his final actions as secretary, sent the report to Frank C. Carlucci, who was the president's national security adviser and recently took over as secretary of defense.

The assessment is not meant to predict the outcome of a war, according to Pentagon officials. Rather, it tries to establish the risk to the security of the United States and the alliance with the current and planned level of military forces.

In assessing the relative military strength of NATO and the Warsaw Pact, the study included many critical nonmilitary factors that influence the military balance. These included the quality of leadership, morale and training. Both sides' ability to reinforce the battlefield was also included, and Soviet and U.S. command, control and communications abilities were compared.

A Pentagon official said one of the most important sections of this year's assessment dealt with a comparison of reserves available to both sides. The official said that the quality and readiness of NATO reserves was far greater than that of the Warsaw Pact and that this could be a critical factor.

Military officers said there was no way to predict the outcome of a war between the two sides, and the assessment did not try to do so. But a variety of computer-assisted war games were conducted in conjunction with it to test the alliance's deterrent strategy and to see what would likely happen on the battlefield if deterrence failed and war broke out.

Officers familiar with the report would not provide the scenarios for the war games, but said they included both nuclear and nonnuclear conditions. The "worst case" scenario in the games was said to involve a war starting in the Gulf region and spreading to Central Europe. "Such a war would call for some early and hard decisions to avoid sending reinforcements to the wrong place at the wrong time," a Pentagon official said.

Those familiar with the war games said NATO did well enough in all the scenarios tested to make an attack by Warsaw Pact forces highly risky and "logically improbable."

The one glaring NATO weakness in all of the games, expert said, was an inadequate defense against a Soviet chemical and biological attack, and the alliance's limited ability to respond in kind.

NEWS ANALYSIS

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Ershad Frees 4 Opposition Leaders In an Effort to Promote Peace Talks

DHAKA, Bangladesh — Bangladesh freed four opposition leaders Monday in what it called an effort to further peace talks proposed by President Hussain Mohammed Ershad, according to Home Minister Abdul Matin.

"We have released them to create a congenial atmosphere for dialogue proposed by the president," Mr. Matin said, adding that other detainees would also be freed in phases.

Those released Monday were Mirza Gohar Hafiz, former speaker of the parliament; Abdul Mannan, a leader of the Awami League; and Saidur Rahman Syed and Jahangir Begum, leaders of the Bangladesh Nationalist Party.

Mr. Matin spoke during the first government press briefing since Friday, when General Ershad declared a state of emergency, imposed curfews in major cities and banned news reports other than those approved by the government.

Mr. Matin said two persons had been killed by the police since the emergency proclamation. He denied press reports putting the toll at six.

General Ershad proclaimed the emergency a day before the main opposition parties called for a 72-hour general strike in their campaign to force him to resign.

Bangladesh has had nearly 200 hours of strikes in the past two weeks. The government said the strikes had cost the country \$50 million in production and exports.

Mr. Matin said most shops, offices and factories were opened on Monday. Public transportation returned to the streets as the curfew ended at 8 A.M.

The home minister said 12 lawyers were arrested after the police broke up a march to protest the emergency declaration near the district court building in Dhaka.

Mr. Matin also denied a report that the army had been called out to enforce the emergency decree. "This is absolutely untrue," he said. "Not a single soldier has been involved in the operation."

He said the police have arrested a total of 4,832 political leaders and other opposition activists over the past two months.

China, Laos Restore Ties To Aid Peace

By Daniel Southerland
Washington Post Service
BELING — China and Laos announced an agreement Monday to restore friendly relations in a move that could help create an improved atmosphere for peace talks between two leaders of warring factions in Cambodia later this week.

Diplomats said it was not conceivable that Laos would make a move toward reconciliation with China without the approval of Vietnam.

A country of fewer than 4 million sharing borders with both China and Vietnam, Laos is heavily dependent on Vietnam and on the Soviet Union for security, trade, and economic assistance.

A Chinese Foreign Ministry official said that a Laotian Foreign Ministry mission led by Khamphou Boupha, first deputy foreign minister, visited China for a week, between Nov. 24 and 30, and held talks on the normalization of Chinese-Laotian relations in a "reconciliation, candid and friendly atmosphere."

The restoration of friendly relations will include an exchange of ambassadors, the official said. China and Laos reduced their diplomatic relations to a minimum following Vietnam's 1978 invasion of Cambodia. In February 1979, China attacked Vietnam.

The Chinese Foreign Ministry official said that China and Laos also reached an agreement on bilateral trade during their talks, according to Xinhua, the Chinese news agency.

Some diplomats in Beijing considered the China-Laos agreement to be part of the buildup to a meeting to be held in France on Dec. 2 between Prince Norodom Sihanouk, the head of the Cambodian opposition, and Hun Sen, prime minister of the Vietnamese-supported Phnom Penh government.

Prince Sihanouk is president of a three-party, anti-Vietnamese coalition. The Sihanouk-Hun Sen talks will be the first to take place between the factions since the Vietnamese invasion.

But a Western diplomat said that despite what appeared to be an improved atmosphere leading up to the talks, nothing has altered the fundamental antagonism and differences between China and Vietnam that make any possible settlement of the Cambodian issue difficult to obtain.

As the main supporter of Prince Sihanouk's resistance, China has refused to negotiate with Vietnam until the Vietnamese withdraw their troops from Cambodia. The Vietnamese claimed to be withdrawing some of their troops last week, but resistance sources in Bangkok said on Monday that the withdrawal was a "farce" because it amounts to little more than the annual rotation of troops.

Laos has accused China of supporting guerrillas fighting the Laotian government in recent years. But the Chinese denied giving such support. In a tone of reconciliation, however, a Laotian Embassy official in Beijing said this issue was "a thing of the past."

During the Indochina war in the 1960s and '70s, China provided large amounts of aid to the Laotian Communists but halted all aid after the Laotians expelled Chinese road builders from northern Laos in 1979. The Laotians accused China of massing troops along the border.

An earlier breakthrough in China-Laos relations came in December last year, when China's vice foreign minister, Liu Shaoqing, visited Laos for the first high-level diplomatic exchange between China and Laos in eight years.

China has drawn a distinction between its relations with Laos on the one hand and with Vietnam and the Vietnamese-supported regime in Cambodia on the other. Some diplomats believe that China's aim in restoring relations with Laos may be to draw Laos into a more neutral position toward Vietnam.

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Babe Herman, Dodgers Batter, Dies

United Press International
GLENDALE, California — Babe Herman, 84, an outfielder for the Brooklyn Dodgers who batted .324 over 11 major-league seasons and was known as "the other Babe," died Friday after a long illness.

Born Floyd Caves Herman in Buffalo, New York, he played parts of seven of his 11 seasons with the Dodgers. He hit .393 in 1930, but lost the batting title to Bill Terry of the New York Giants, who hit .401.

Mr. Herman, who was 6 feet 4 inches tall, was known for attacking the ball although he was not a power hitter. He hit only 181 career home runs but batted over .300 nine times.

He was also known as "the other Babe" because his career overlapped that of Babe Ruth. In recent years, Mr. Herman has been considered by the Veterans Committee for induction to the Hall of Fame.

Irene Handl, 85, British Actress
LONDON (Reuters) — Irene Handl, 85, a British actress who perfected the role of a slightly eccentric cockney old lady, died Sunday in London.

The London-born daughter of a Viennese father and a French mother, Miss Handl took up acting when she was 36 and over the following years she appeared on stage, in movies and in television comedies as well as becoming an accomplished writer. Her films included "Doctor in Love," "The French Mistress," and "The Belles of St. Trinians."

Choo San Goh, 39, Ballet Choreographer
NEW YORK (UPI) — Choo San Goh, 39, a choreographer whose ballets have been performed around the world, died Saturday of an illness related to acquired immune deficiency syndrome.

Earlier this year, Mr. Goh was awarded the 1987 Cultural Medal of Singapore, where he was born. Mr. Goh's most recent work, "Configurations," was a collaboration with Mikhail Baryshnikov and the American Ballet Theatre.

Other deaths:
Helen G. Scott, 72, a writer and translator who was a close associate of Francois Truffaut and other French New Wave film directors, of a heart attack Friday in Paris.

Mozafar Baghai, 78, former Iranian politician who played an important role in the nationalization of his country's oil resources in the 1950s, in a Tehran prison early this week, the Iranian daily Ettelaat reported.

Thomas G. Lamplier Jr., 71, a U.S. fighter pilot who shot down the Japanese plane carrying the architect of the attack on Pearl Harbor, Admiral Isoroku Yamamoto, Thursday in La Jolla, California.

Forwood Wiser Jr., 66, a U.S. Navy pilot and aviation enthusiast who became vice president of American Airlines and then president of TWA, Pan Am and Northeast Airlines, after a long illness in Princeton, New Jersey.

HOSTAGE: France Remitting \$330 Million to Iran

(Continued from Page 1)

vided a much needed political boost for the Chirac government.

Despairing of accomplishing anything with Iran after breaking diplomatic relations with Iran last summer, Mr. Chirac turned the hostage problem over to Interior Minister Charles Pasqua, who formed the small, clandestine negotiating team led by Jean-Charles Marchiani, a colorful, tenacious former intelligence agent.

Mr. Marchiani and Mr. Pasqua are from Corsica, a fact that one of the negotiators said Monday had impressed the Iranians with whom they deal.

"They knew Corsicans did not talk, that they would not be exposed to the kind of dangers they were exposed to after the revelations about the American contacts," the source said. "And we did not mix in arms in this. We knew that would end in disaster."

Mr. Marchiani left Paris for Beirut in mid-November and waited there for 10 days before getting word that the hostages would be delivered to him last Thursday. But a sudden upsurge in fighting prevented the captors from reaching the prearranged meeting point or from being able to telephone Mr. Marchiani.

They contacted Agence France-Presse with a press communiqué that included instructions to "Mr. Stephani," the pseudonym that Mr. Marchiani was using in Beirut, to meet them at another destination.

Syrian troops also arrived at the exchange point, but Mr. Marchiani, accompanied by French security guards, faced them down and took control of the two hostages.

The French envoys who deal with the Revolutionary Justice Organization are convinced that it is totally controlled by Iranians, as are the other organizations that still hold three French hostages and eight American captives.

Wahid Gordji following his arrival Monday in Tehran.

Airliners Used to Smuggle Explosives

STOCKHOLM (Reuters) — Couriers for a Swedish arms dealer smuggled explosives to Iran aboard commercial flights of the airlines Lufthansa and Swissair, according to Swedish customs officials.

Karl-Erik Schmitz, the head of Scandinavian Commodity AB in Malmo, Sweden, is currently awaiting trial on charges of smuggling explosives to Iran. He acknowledges supplying Iran with the explosives but says it was done legally. Arms trade experts say they believe Mr. Schmitz smuggled a total of \$600 million to Iran after buying them from companies in Western Europe, Israel and South Africa.

Oslo's NATO Candidate Leaves Post to Wörner

By Serge Schmemmann
New York Times Service
BONN — Norway withdrew its candidate Monday for the top political job in the North Atlantic Treaty Organization, ending an embarrassing tussle within the alliance and clearing the way for Defense Minister Manfred Wörner to become the first West German secretary-general of NATO.

The formal announcement is now expected at the NATO foreign ministers' meeting Dec. 11-12, at which the U.S. secretary of state, George P. Shultz, is also expected to report on the Dec. 7-10 summit meeting between President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev.

The Norwegian candidate, former Prime Minister Kaare Willoch, announced his withdrawal in a letter to the Norwegian government, in which he said that "it has become clearer that several countries will place decisive emphasis on the significance of the candidate's own country, and on that country's contribution to the overall defense effort of the alliance."

Mr. Willoch was evidently referring to the sentiment in Washington, London, Paris and several other NATO capitals that the time had come to recognize West Germany's key role in the alliance, both as the largest European contributor and as the front-line state hosting the forces of six other allies.

Washington has also reportedly favored putting a West German in the office as part of its effort to coax Bonn into a more assertive role in Western defense. One of West Germany's legacies from World War II has been a strong reluctance to undertake any military activity beyond its borders.

It was regarded as a major development last month when Bonn decided to station ships in the Mediterranean to reduce NATO ships working in the Gulf. But Bonn has so far balked at sending ships to the Gulf, arguing that this is not a NATO mission and so is barred by the West German constitution.

Sources in NATO said Norway's surprise announcement Aug. 14 that it was nominating Mr. Willoch for secretary-general, to succeed Lord Carrington of Britain, put the alliance in an embarrassing bind.

The military commander of NATO is always an American, but the office of secretary-general rotates among Europeans and is filled by consensus among the allies.

Mr. Wörner, 52, has been defense minister since Mr. Kohl took office in 1982. Like the chancellor, he initially opposed the U.S.-Soviet plan to eliminate all categories of medium-range nuclear weapons. But he is also seen as an advocate of a stronger European contribution to the alliance.



Kaare Willoch

Carlucci Meets Ministers

Frank C. Carlucci, meeting with European defense ministers for the first time as U.S. defense secretary, said Monday the United States would have to become "more creative" in its conventional military support to NATO. The Washington Post reported from Brussels.

Mr. Carlucci and other senior U.S. officials say tighter budgets are threatening U.S. contributions to NATO while allied countries' support are reaching new highs because of the pending U.S.-Soviet arms agreement.

Mr. Carlucci said the United States had to meet those new demands by being "more creative," because putting more money into NATO defense was "going to be a problem." He said U.S. options ranged from "terrain enhancements," or barriers that would help reduce the need for some troops, to improved cooperation in air defense agreements.

Although he said he supported the continued presence of U.S. forces in Europe, Mr. Carlucci, who took over as defense secretary last week, added, "I'm not ruling out anything at this point."

JPL 10150

Findings
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Those familiar with the
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Kaare Wilhoj

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Carlucci Meets
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Mr. Carlucci said he
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East Germans Debate Limits of Church Activists

By Henry Kamm
New York Times Service

BERLIN — Candles were burning Saturday evening in Zion Evangelical Church in East Berlin, and bunches of flowers were tied to a metal fence outside. Young men and women were holding a protest vigil, while uniformed policemen patrolled outside and secret policemen mingled with the onlookers.

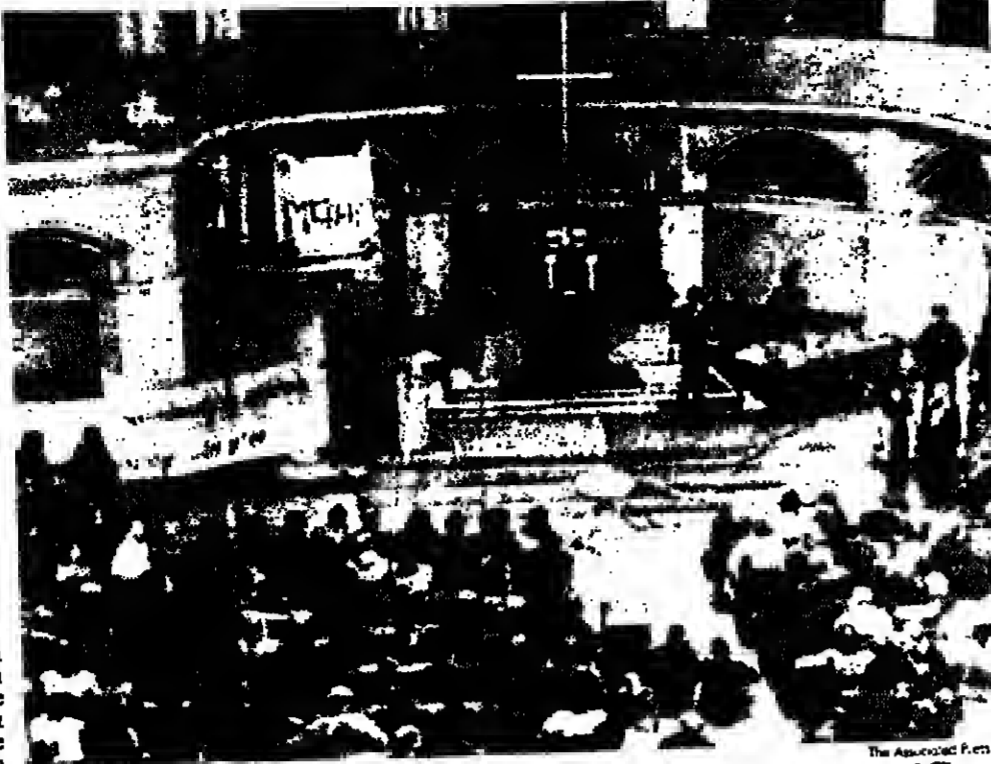
The vigil began after the police raided the parish house on Nov. 24, arrested two members of a peace and ecological group operating under church auspices, and confiscated printing equipment, as well as printed material that was termed "hostile to the state."

The two men were freed Sunday, but church advocates said the vigil would continue until the equipment was returned and until reported criminal investigations against church activists were halted.

The crackdown, occurring at a time when a milder wind from Moscow is blowing through the Communist bloc, has shocked East Germans and provoked debate within party circles, according to Communist Party members.

At the same time, it has prompted a soul-searching among leaders of Protestant churches, under whose protection a widespread protest movement has sprung up in East Germany.

Churchmen sympathize with most of the aims of the young critics of the regime but fear that some are taking shelter in their churches without fully sharing their Chris-



The Associated Press

About 400 people took part in a vigil against a police raid at the Zion Evangelical Church in East Berlin, where two persons were arrested and printing equipment was confiscated.

The newsletter published by the Zion Church Peace and Environment Circle has been critical of what its members consider the re-

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strictive human rights policies of the government of President Erich Honecker, the party leader.

Nevertheless, dissidents and churchmen say the police action was not so much aimed at this newsletter as at a more radical one known as Grenzfall, which is not affiliated with the church but may have been produced on the same printing equipment.

"We have nothing to do with Grenzfall," said the Reverend Günter Krusche, whose title of general superintendent makes him the equivalent of the Evangelical bishop of Berlin.

Mr. Krusche was careful not to disavow the views of the more radical paper, whose title means "borderline case." But he expressed doubt over the effects of implicating the church in its publication.

"Our critics say, 'Jesus was here for everybody, but you throw them out,'" the bishop reflected. "We don't, but the church should stay the church. The task of the church is not the same as that of the political opposition."

While dissidents and the state were confronting each other on church grounds, an earlier intrusion into the Zion church was the subject of a trial that began Friday.

Four members of a gang of young neo-Nazis faced an East Berlin court for having raided the church during a rock music concert last month. They are accused of having beaten members of the audience with bottles and of having vandalized church property while shouting Nazi slogans.

Ecuadorians to Antarctica
Agence France-Press
QUITO, Ecuador — The first Ecuadorian expedition to visit Antarctica was to leave Tuesday aboard the research vessel Orion on a mission to investigate the seabed surrounding the frozen continent and to set up a permanent camp to house future Ecuadorian teams.

Resignation Report
The Daily Telegraph in London said Monday that the Austrian government is "quietly preparing" for the resignation early next year of Mr. Waldheim. The Associated Press reported.

The conservative daily said an investigation of Mr. Waldheim's activities as an intelligence officer in the Balkans by a panel of military historians would give Austrians some "unpleasant surprises."

The report added that Mr. Waldheim "has been saying that he does not regard the panel's conclusions as binding, that his conscience is clear, and that he does not intend to resign."

Moderate Quake Jolts Greece
The Associated Press
ATHENS — A moderate earth tremor shook the central Greek city of Volos on Monday but there were no reports of casualties or damage.

The Associated Press
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ARTS / LEISURE

Ivana Trump: A Gaudy Life in the Casino



Ivana at work: 45 limousines "for the high-rollers."

ATLANTIC CITY, New Jersey — On the face of it, Ivana Trump looks too good to be true. She is 38, blonde and beautiful, the mother of three handsome children and the wife of one of the most interesting entrepreneurs in New York, Donald J. Trump. She also

HEBE DORSEY

commands three impressive estates, the 114-room Mar-a-Lago in Palm Beach — which belonged to Marjorie Merriweather Post, the Post cereal food heiress — a 38-room house in Connecticut, a \$10 million triplex in Trump Tower — and the ultimate toy, the Nabilla, a yacht once owned by Adnan Khashoggi, which the Trumps acquired from the Sultan of Brunei for \$31 million.

So when one hears that Ivana Trump is a hard-working woman, the vice-president of the Trump Organization and CEO of one of his three Atlantic City casinos, Trump Castle, one tends to be skeptical. Yet, beyond the glitzy exterior and the millions of dollars,

Ivana Trump comes out as a serious executive who has to be one of her husband's most precious business assets.

A native of Czechoslovakia, the only child of a successful engineer, she joined the 1972 Czechoslovakian Women's Olympic Ski Team. Shortly afterwards, she emigrated to Canada where she became a fashion model. She met her husband at the Montreal Winter Olympic Games and they got married in 1977.

In the beginning, Ivana Trump, who has a decorating degree from New York's Fashion Institute of Technology, was largely confined to interior design. But when her husband opened Trump Castle in 1985, he put her in charge. She was not new to the job. For the previous two and a half years, she had learned the ropes at the Trump Plaza casino.

Now, she commutes to work by helicopter every Tuesday morning and comes back Thursday evening. The Trumps have 10 small helicopters plus a big one, the "Super Puma." Add to that 45 limousines "in all colors, including silver and

gold, for the high-rollers. I once made the mistake of sending a white one to Japanese customers and they turned it down. In Japan, white is the color of mourning." The Trumps also have jumbo jets coming every day from Canada, Washington and Florida to bring in other gamblers.

Trump has made a distinct suc-

'I know exactly who was there last night, how much they lost.'

cess of Trump Castle. In the first three months of 1987, Trump Castle showed a gross operating profit of \$18,227,000 on revenues of \$64,459,000 or a 28.3 percent return.

"Our hands-on-style management and our strong belief in operating the Castle like a family business have led to this splendid first quarter," Ivana Trump said.

"There's a lot of hard work," she added. "This is a business where

you work seven days a week and 24 hours a day. I've gotten phone calls at 4 A.M. to approve credits for players over \$100,000." How does she decide? "It's all in the computer. I know exactly who was there last night, how long they played, what was the average, how much they lost."

The three Trump casinos have 13,000 employees and Trump Castle has 4,000 with a weekly payroll of \$1.2 million. Trump's mornings start with going over the daily casino and 600-room hotel revenues. "Then I go and sign every single check that comes out of this property. After that, I have a meeting with my vice presidents and we go over everything — finance, marketing, food and beverage, transportation, entertainment." The latter includes a \$1 million Las Vegas show that is revamped every six months. Trump also recently approved a \$200,000 budget for Christmas decoration. Her afternoons are spent wandering around the hotel and casino, making sure everything is fine. "That keeps me in shape," she said.

About 15,000 people stream into

that casino every day. A third of them come aboard 150 buses from all over the East Coast. Each customer gets a free ride, food coupons and \$30 in chips. Another third of the gamblers drive in, and the others are the high-rollers who get VIP treatment.

Trump puts down European casinos as "toys which are not making any money." Indeed Trump Castle is big bucks but Monte Carlo chic it is not. Everything is on a gigantic scale. Ten restaurants serve 13,000 meals a day. The 25,000-square-foot ballroom (about 2,300 square meters) can accommodate 1,500 people. There is nonstop entertainment in five lounges.

As for the decoration, it is beyond the gaudy. The immense hall is decorated with models of medieval gold castles, pieces of armor and banners embroidered with figures of knights and other medieval characters. The lines underneath read "You're the king" or "At your service." The goodnight chocolates are lip-shaped and the publicity lines read: "We deliver a package fit for a king" or "A royal feast to

satisfy the most discriminating noble taste." I was given a chocolate record, which read "For the record, we think you're terrific."

But Trump, who was wearing a chic red Dior suit during the interview, knows what she is doing. "The casino business is not the Plaza Athènes. Our name is Castle so we have to create the spirit that goes with it. At Christmas, we have people walking around in medieval costumes. We can call them the 'Castle Characters' and their job is to go around and entertain our guests."

Her customers, Trump added, love it. "When they come here, they are walking into fantasy land. Brown and beige they can have at home."

With all of this she has not lost the knack of being a good daughter. Her father had always wanted a red Porsche, but when he reached 50 he thought he was too old, that it would make him look like a gigolo. But then, when he was 60 and had not been very well, his daughter called and said to him, "Look out the window." And there was the red Porsche.

Harvard on Stage With Advanced Theater Training

By Robin Pogrebin
New York Times Service

CAMBRIDGE, Massachusetts — Over the last 200 years, Harvard University has been producing lawyers, doctors and business professionals. Now, it is also producing actors, directors and designers — and they are producing plays.

This fall marks the beginning of the American Repertory Theater Institute for Advanced Theater Training, a two-year program to prepare students for the professional theater.

The institute, one of a growing number of theater training programs around the United States, is the brainchild of Robert Brustein, founding director of the American Repertory Theater and the Yale Repertory Theater.

When Brustein proposed the program in 1979, Harvard turned it down; the reason given was that the university did not offer any comparable program for undergraduates.

That was remedied in 1980 when theater courses were introduced into the undergraduate curriculum. They proved so successful that Harvard agreed to offer advanced

studies, and the institute was established with the help of a \$250,000 grant from the Educational Foundation of America.

Now, after a trial year, Brustein couldn't be happier. "We need, for our theater, young people who share both the training and the vision and the aesthetic of our company," he said. "They need to feel

'It's a program that is thoroughly conceived within the activities of a resident theater.'

there's a place for them where they can work, free of the pressure to succeed."

It is these principles that inspired Richard Riddell to accept a position this year as director of the institute and associate director of the ART. The theater is a nonprofit organization that began at Yale University under Brustein and is now in its ninth season at

Harvard's Loeb Drama Center in Cambridge.

Riddell will bring his extensive experience in lighting design — he received a Tony Award for the Broadway production of "Big River" — to Brustein's production this season of Pirandello's "Right You Are (If You Think You Are)."

Brustein is pleased to be working with Riddell. "I felt I'd found not only a new friend, but a kindred spirit," he said. "I'd been chasing him down, hoping he would say yes to come here."

Riddell, however, didn't need to be chased. "The more I became involved, the more attractive this situation became," he said. "It was new, yet it had a tradition to it of 20 years — a clear and strong aesthetic about theater."

Riddell described this aesthetic as dedication to repertory theater, "to the presentations of classical works interpreted by a contemporary mind as well as to the presentation of innovative new work by both the playwrights and by others."

This air of professionalism, however, does not preclude an emphasis on process. "It's not a museum

— it's a kind of laboratory, a place for ferment," said Riddell. "Institute, I think, is a great word. It has connotations of research to it."

Indeed, Brustein said, the program is flexible. Whereas training at other drama schools usually follows a clear progression — realism, verse, post-modern — the curriculum at the institute is intended to change from year to year according to what type of plays the theater plans to do and what outside artists are available to participate.

Next year, for example, when Andrei Serban directs a play by Carlo Gozzi, an 18th-century Italian dramatist, students will spend three months studying the commedia dell'arte technique used in the play. "The faculty is the company," said Brustein. Currently, Jeremy Geidt is teaching a mask class by day and performing in Pirandello's "Six Characters in Search of an Author" at the ART by night.

In addition to the regular faculty, the repertory theater has artists-in-residence, all of whom will devote some time to the institute while they are working with the company. For example, while his play, "Gillette," the first of the the-

ater's season, was in rehearsal, William Hauptman discussed it with dramaturgy students, those being groomed for positions as literary managers at resident theaters.

Just as the institute draws from the repertory theater for instruction, the repertory theater draws from the institute for productions.

"It's a theater program that is thoroughly conceived within the activities of a resident theater community," said Riddell, "as opposed to one that is harshly conceived of in an academic setting."

The acting classes consist of voice and movement as well as acting. Bonnie Raphael, the voice coach, teaches such elements of technique as breathing, dialects and scansion. She works with students on releasing the rib cage ("that's where your primal screams come from"), loosening the lower jaw (in order to reach "the guys in the cheap seats") and integrating emotional complexity with physical control.

The students spend part of Serban's three-hour workshop experimenting with long bamboo poles — what Serban calls "the sticks" — in mimicking one another's motions

"to create a warm-up of the body, which is not mechanical," invites Serban, "and a warming up of the imagination as well."

While at first such dramatics may seem like only pantomime, the students find it invaluable.

In Geidt's class, the students practiced slapstick — tripping forward while trading waiter trays, falling backward without bending their knees — and then they put on masks. "Don't make up your mind what the mask looks like," Geidt admonished, "put it on your face." It is an exercise in "what the external does to the internal," said Geidt. "The mirror is basically their text."

After experimenting with the masks in the mirror, the actors rummaged through costumes — strewn about the room — to help complete the characters they had created. One zipped into a fat suit and became a bumbling vagabond; another was transformed into a dazed drunk as she stutted about in stiletto heels. Putting on a mask is paradoxical, explained Geidt: "You think that it confines, but in fact it releases you."

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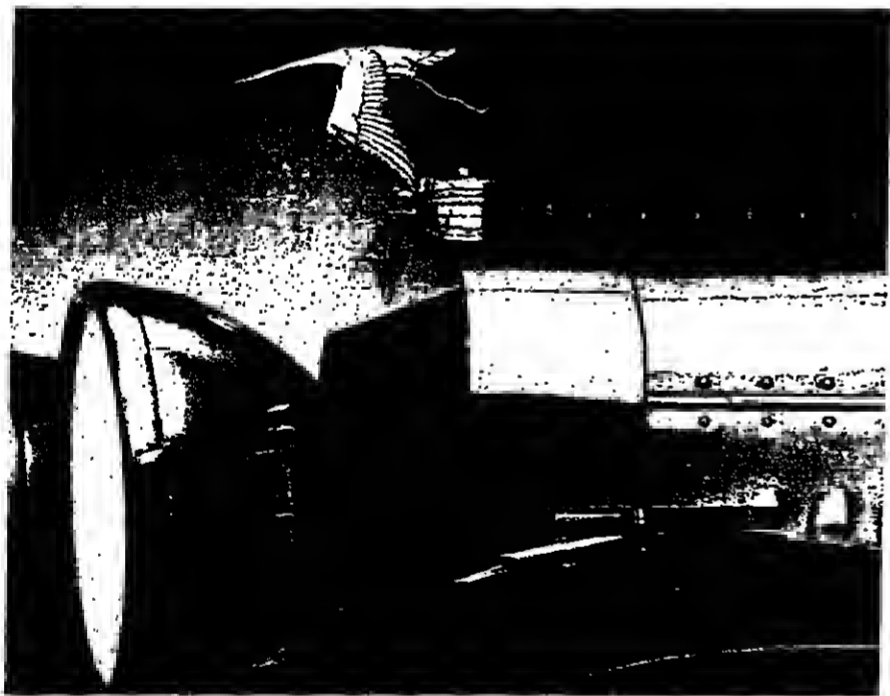
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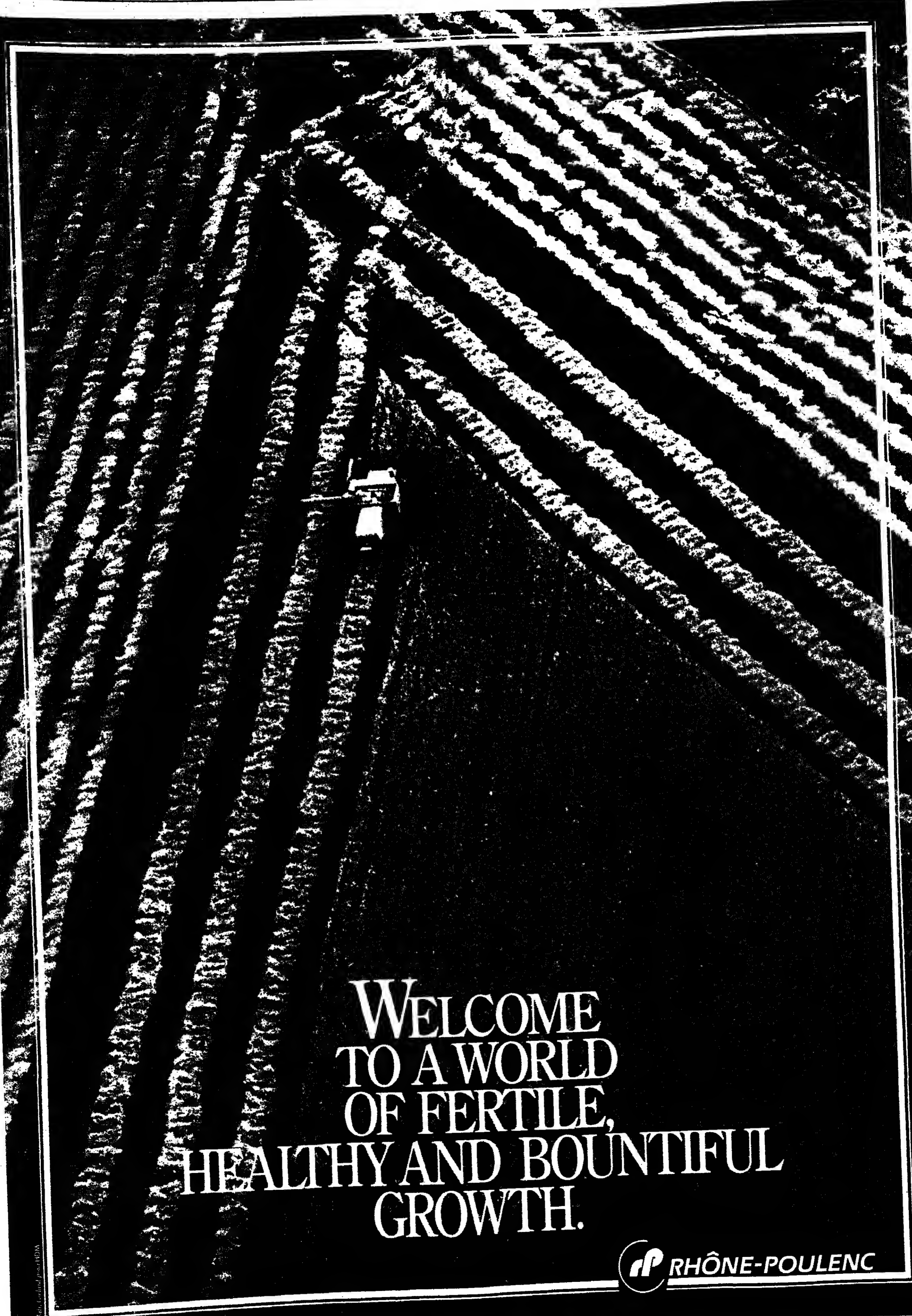
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INTERNATIONAL **Herald Tribune**

Published With The New York Times and The Washington Post

Revenge of the Duvaliers

The Duvalier dynasty may have been expelled from Haiti, but its baleful influence lingers. The elements that gained their privilege under the Duvaliers, with their guineas and their anti-democratic ways, scored a grim victory during the weekend. They brought a level of terror and violence that forced cancellation of the elections that offered Haiti its only prospect of loosening the deadly grip of the past.

fashion to ensure even minimal conditions of order during the run-up to the elections and on election day. The electoral council itself has a claim to moral authority, but it did not have the resources to make this claim prevail in the chaos that is Haiti today. The government dissolved it on Sunday.

Glasnost or Secrecy?

Mikhail Gorbachev's policy of openness, or *glasnost*, fills Western news columns with unimaginable scenes: An actress, on stage, decries the fall of Boris Yeltsin, the Moscow party boss. The émigré dancer Rudolf Nureyev returns to visit his sick mother. U.S. scientists inspect Soviet chemical weapons plants, and Soviets return the visit.

life has been spent on the abnormal ups and downs of hope and disappointment that are a refusenik's plight. The Zimans believe they are denied permission to leave because Yuri refused KGB requests that he become an informer. In a process of whim instead of law, grudges are as good a reason as any.

What the Money Buys

A French customs plane spotted the ship off the coast of Brittany, and when it entered French waters the pilot noticed that the five-man crew had put on wet suits, inflated a dinghy and were apparently getting ready to abandon ship.

sives wired and ready for detonation. In the hold were 10 Soviet machine guns with anti-aircraft gun mounts, 20 missiles, 1,000 Kalashnikov rifles, 50 tons of ammunition, two tons of plastic explosive and hundreds of grenades. The French, British and Irish governments are convinced of the obvious: These supplies were being sent by the Libyan leader, Moammar Gadhafi, to the IRA.

Beware of AIDS Tests

Present tests for the AIDS virus antibody are highly accurate. Yet if applied to the population at large, they could falsely brand nine people infected for every true case identified. President Reagan's AIDS commission had better be sure it understands this treacherous paradox if it intends to recommend widespread testing.

mates by Lawrence Mike of the Congressional Office of Technology Assessment. The U.S. Army has been testing military recruits, a low-risk group, for two years. Its chief tester, Colonel Donald Burke, believes that the rate of false positives is less than one in 100,000 people tested. But the army is able to insist on unusually rigorous standards for its testing laboratories.

Untie the SDI Knot With an Offer of Joint Research

By Richard M. Cyert and Jean-Jacques Servan-Schreiber

PARIS — Negotiations with the Russians on diminution of nuclear weapons have stumbled repeatedly on the Strategic Defense Initiative. Now the SDI casts an ominous shadow on preparations for the coming U.S.-Soviet summit meeting.

Mutual distrust is causing both countries to stay in a state of ruinous military preparedness, bleeding white their potential for wealth-creating economies and ultimately endangering the very existence of the world. Reduction of this mistrust is necessary if we are to make any progress.

proposal, instead, is that the research itself on space systems of defense should become a joint U.S.-Soviet project — an ambitious, highly scientific defensive project in which the two sides participate jointly.

veloped in the United States between many people in academic life and the government. It would progressively slow down the arms race and so liberate, at long last, crucial resources for the stalled "knowledge economy."

Mr. Cyert is president of Carnegie-Mellon University in Pittsburgh. Mr. Servan-Schreiber, a former French cabinet minister, is chairman of the university's International Committee. They contributed this column to the International Herald Tribune.

A Post-Nuclear Era Means Big Change for the West

By Edward N. Luttwak

WASHINGTON — The danger for the West is that the Soviet Union may be better prepared for the post-nuclear era than it is.

assumptions. Each then would require structural or operational remedies, ranging from the decentralization of stores and repair depots (now all highly centralized for efficiency under the bomb assumption of all-or-nothing bombardment) to the restoration of predominantly reservist ground armies to oppose similar Soviet forces.

priority assigned to defensive as well as offensive "strategic" nuclear capabilities perhaps would be increased.

The writer holds a chair in strategy at the Center for Strategic and International Studies and is the author of "Strategy: The Logic of War and Peace." This comment was adapted for The Washington Post from a longer version appearing in the winter edition of The Washington Quarterly.

Why Jews Will Mass for the Summit

By Natan Sharansky

JERUSALEM — One of my first gulag cell mates was a professional swindler. After a career of enterprising scams, Leonid had exhausted his opportunities for "work" in the Soviet Union. As he served his sentence, he was studying English with the hope of someday living in the United States.

have already made their decision. And for all the talk of *glasnost*, or openness, many in the gulag, including a number of human rights activists, still languish in prisons, camps and psychiatric hospitals.

There are those who say that this is the wrong time for an appeal on behalf of Soviet Jews, that a demonstration may undermine the prospects for peace, that it might encourage Mr. Gorbachev's opponents, that it might squander an historic opportunity.

American Voters Will Add Up Real Gains in the Missile Pact

By Tom Wicker

NEW YORK — All Democratic presidential candidates, to varying degrees, support the arms control treaty that Ronald Reagan and Mikhail Gorbachev are about to sign. All Republican candidates except Vice President George Bush oppose the treaty, or are reserving judgment.

can reach far into the Soviet Union. Thus it threatens the Russians with a devastating strike against their command system and important military outposts — which means, in turn, that these U.S. missiles offer a tempting target for a pre-emptive Soviet strike. Elimination of this weapon from the European scene would ease the level of military tension in any East-West political crisis.

South Asians Have an Association to Reckon With

By S. Nihal Singh

NEW DELHI — The main significance of the third summit of the South Asian Association for Regional Cooperation, or SAARC, is that it was held.

members was particularly enthusiastic about importing a major symbol of superpower conflict into SAARC, and although the issue was resolved after a fashion by postponing it, India was left holding the baby.

India's opposition to such an arrangement was tight and inevitable because it does not answer the problem of Chinese nuclear capabilities.

100, 75 AND 50 YEARS AGO

1887: Winter Cheer

NEW YORK — Everybody seems in the flush of spirits and on the go. It must be the weather, as there is no other particular reason for this show of merriment and self-satisfaction.

1912: Polo Challenge

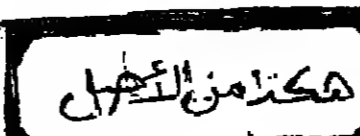
LONDON — The announcement that Britain has sent a challenge to the United States to play for the America Cup, which was won from Great Britain by Henry Payne Whitney's famous Meadow Brook team,

and has since been unsuccessfully competed for by this country, has been received with pleasure by polo players here. The Duke of Westminster will bear the cost, and he has purchased a large stud of fast ponies.

1937: Roosevelt Acts

PARIS — The New York stock market in the last few days has reflected the change in sentiment that has come over the business world since President Franklin D. Roosevelt showed he was earnest in his determination to combat the threatening depression. The disappointment which followed his message at the opening of Congress a fortnight ago when he seemed to ignore even the existence of any abnormality in trade and industry, has made way for more cheerful outlook. The presents too of the housing program, on the top of the announcement that government departments had been instructed to accelerate orders, cannot fail to make prospects fairer still.

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Managing Dir. Asia: Richard Glenn, 30 Gloucester Road, Hong Kong. Tel. 54810516. Telex: 61170
Managing Dir. U.K.: Robin Mackenzie, 63 Long Acre, London WC2E. Tel. 836-4802. Telex: 262009
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NYSE Most Actives table with columns: Vol., High, Low, Last, Chg.

Market Sales table with columns: NYSE 4 p.m. volume, Amex 4 p.m. volume, etc.

NYSE Index table with columns: High, Low, Close, Chg.

Monday's NYSE Closing logo and text: Via The Associated Press

AMEX Diary table with columns: Class, Prev., Total Issues

NASDAQ Index table with columns: Close, Chg., Week Ago, Year Ago

AMEX Most Actives table with columns: Vol., High, Low, Last, Chg.

Dow Jones Bond Averages table with columns: Previous Close, Today's High, Today's Low

NYSE Diary table with columns: Class, Prev., Total Issues

Odd-Lot Trading in N.Y. table with columns: Nov. 27, Nov. 28, Nov. 29, Nov. 30

Dow Jones Averages table with columns: Index, Open, High, Low, Close, Chg.

Standard & Poor's Index table with columns: High, Low, Close, Chg.

NASDAQ Diary table with columns: Class, Prev., Total Issues

AMEX Stock Index table with columns: High, Low, Close, Chg.

MARKET: Shares Slide as Dollar Hits Lows

(Continued from Page 1) down 37 points to 1322.60, a drop of 2.7 percent. In Paris, French shares ended lower in moderate trading with the main Bourse indicator posting a late 2.50 percent decline from Friday's close.

12 Month High/Low Stock table with columns: 12 Month High, 12 Month Low, Div. Yld. PE, etc.

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12 Month High/Low Stock table (continued)

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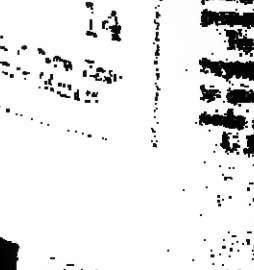
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12 Month High/Low Stock table (continued)

12 Month High/Low Stock table (continued)



New Zealand's New Agenda

Remaking Social Policy

The Welfare State 'Is Up for Grabs'

By Colin James

WELLINGTON — Change has been deep and fast in New Zealand in the late 1980s, but there is a bigger change in come, as the government maps plans to remake social policy.

The focus in recent years has been on the economy, as, first, Sir Robert Muldoon, who led the National Party to victory in 1975, tried to apply classic Keynesian intervention measures to keep the economy afloat with heavy borrowing and subsidies. Then came Roger Douglas, finance minister in the current Labour government, who advocated deregulation, deprotection, privatization of state-owned enterprises and radical tax reform.

On the strength of Mr. Douglas's argument that the process was only halfway through, the Labour government of Prime Minister David Lange was elected for a second term on Aug. 15.

The re-election path was smoothed by divisions within the opposition National Party, as Mr. Douglas stole its free enterprise platform. The Labour Party was also aided by 18 months of rising real disposable income, which lasted until a few months before the election.

The economic downturn began in early 1987, long before the world stock market collapse of Oct. 19. But the speculative enthusiasm let loose by "Rogernomics" cooled on. When the crash came — it reached New Zealand on Oct. 20 — it was severe. There was a drop of 37 percent over three and a half weeks on the Barclays index of 40 leading stocks, by which time the market was 46 percent below its Sept. 18 peak. The end of the speculative boom, began to get into trouble. By Nov. 16, one had had to be rescued and another was having serious problems with funding.

At the same time, inflationary pressures eased, allowing the government flexibility in its economic management. Mr. Douglas is now planning an economic package of more

tax changes (company tax rate cuts but closing of loopholes), more tariff reductions, occupational decessing and income maintenance changes, which include social security and unemployment benefits as well as family allowances.

But these changes are likely to pale beside the ambitious program now before the cabinet's Social Equity Committee, headed by Deputy Prime Minister Geoffrey Palmer.

He has declared that "everything is up for grabs" and wants to establish a set of "overarching principles" on which to base social policy. At one level, this takes the committee back to issues of moral philosophy. It is questioning beliefs long held by the Labour Party that the state ought to be the principal funder and provider of social services — health, education, housing and welfare — and that services ought to be available to all as a right, without a means test.

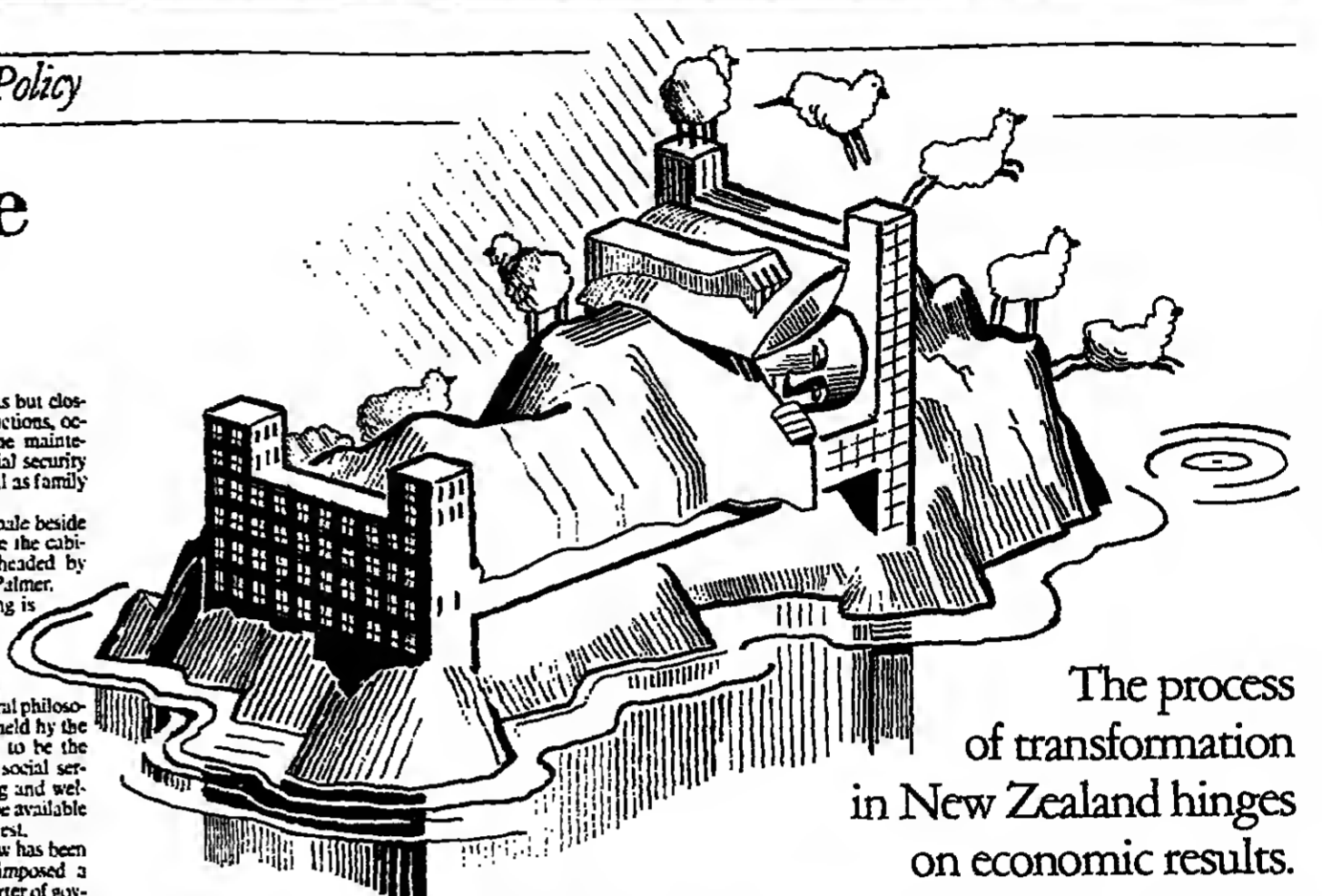
The initial stimulus for the review has been budgetary. Past borrowing has imposed a heavy debt-servicing burden, a quarter of government spending.

Mr. Douglas has been searching for ways not only to eliminate the budget deficit, now down to about 2 percent of gross domestic product from 9 percent in 1983-1984, but to begin repaying debt.

This underpinned his drive for efficiency in state trading enterprises and their conversion to corporations, and then his campaign to sell off part, then all, of some of those and other state corporations and companies — among them the Bank of New Zealand, Petrocorp and the Development Finance Corp.

He has also argued for greater efficiency in the delivery of social services, instigating a series of administrative reviews of them. The most controversial has been the health services, chaired by Alan Gibbs, an entrepreneur.

Leads from the Gibbs committee have hinted at recommendations of contracting out considerable chunks of the hospital services and even turning hospitals into corporations. That way, it is estimated, savings of up to 30



The process of transformation in New Zealand hinges on economic results.

percent could be made in hospital services.

The debate is over whether the government should continue to be both principal funder of social services (now by and large accepted by the cabinet committee) and the principal provider of the services.

In addition, in housing and some educational benefits, the government has begun to target the needy, thus moving away from the principle of universality, which has marked much of the social services philosophy since the introduction of social security in 1939.

In some cases, Mr. Douglas has introduced charges for services that were free. The most controversial has been a charge of one New Zealand dollar for prescriptions of otherwise free medicine.

All of this has angered Labour Party activists and unionists, who argue for state-provided, universal free systems. They fear that market-oriented economics will be extended to social policy.

Efficiency competes with effectiveness as a catchword. Mr. Palmer's job is to marry the two. He thinks he will need at least two three-year terms to make the main changes.

Mr. Palmer has recently said that the committee had clarified its view that the state would remain a "central ingredient of the welfare state," indicating a wider role than Mr. Douglas would like.

Along with the shift on social policy, there are changes under way in the relationship between the two main races: the predominant Europeans and the Maori, who make up 12 percent of the population.

A 147-year-old treaty between the British Crown and Maori chiefs, considered of no legal force for most of the intervening period, is gaining increasing recognition both by the courts and in legislation.

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COLIN JAMES, a journalist based in Wellington, is a regular contributor to *The National Business Review*.

IN THE NEWS

April 27: Howe Attacks

Non-Nuclear Policy
Britain and New Zealand clash over Wellington's non-nuclear policy during a nine-day Asian and Pacific tour by Sir Geoffrey Howe, the British foreign secretary. Sir Geoffrey, who made Western concern for security in the Pacific the theme of his tour, said that New Zealand was abdicating its responsibilities by cutting itself off from the Western nuclear shield, a move that could lead to trade retaliation by members of the European Community.

June 4: Nuclear Ban

Enacted by Parliament
Parliament adopts legislation enshrining the Labor government's nearly three-year executive ban on nuclear-powered and nuclear-armed warships and aircraft. The New Zealand Nuclear Free Zone, Disarmament and Arms Control Act formalizes a policy that last year brought an end to Wellington's 35-year security alliance with Washington. The legislation prohibits the deployment, testing and storage of nuclear devices and waste, and bans port visits by nuclear-powered ships.

Aug. 15: Labor Wins

A Second Term
Prime Minister David Lange's Labor Party wins another three-year term in national elections with a 15-seat margin, the same overall majority it held in the last Parliament. Mr. Lange's party pledged to continue its program of economic liberalization and not to return to a military relationship with the United States.

Aug. 19: Lange Yields

Foreign Ministry Post
In a move that surprised many observers, Prime Minister Lange gives up his post as foreign minister and takes over the education portfolio. Russell Marshall, a former Methodist clergyman once dubbed "the red reverend" by the previous administration of Robert Muldoon, is named foreign minister as well as disarmament and arms control minister, a post created in June.

Oct. 20: Government Sells

Stake in Steel Industry
The government agrees to sell its 89 percent stake in New Zealand Steel Ltd. to Equiticorp Holdings Ltd. for 327 million New Zealand dollars (\$213 million). Equiticorp's chairman said the agreement required his company to make a full bid, at 44 cents, for all NZS shares within a week. The privatization move follows several others announced in the past year, including the government's plans to sell its 25 percent share of Air New Zealand.

IN THIS REPORT

Maori Revival 12

The resurrection of a 19th-century treaty with the British has given the Maori cultural renaissance a political dimension.

Foreign Affairs 12

Although the Rainbow Warrior episode has cooled down, relations with France are still troubled over Pacific issues.



The Greenpeace affair has ended, but friction with France continues.

Economic Outlook 13

The government has deregulated and deprotected, but inflation remains a threat to economic progress.

EC Watershed 14

Next year is likely to be crucial in New Zealand's trade ties with the Common Market.

Relations With U.S.

Nuclear Stand Keeps Former Allies Apart

By John M. Goshko

WASHINGTON — Fifteen months after the United States withdrew its security umbrella from New Zealand, relations between Washington and its former Pacific ally remain strained by continuing failure to resolve the dispute over New Zealand's refusal to accept port calls by nuclear-armed or nuclear-powered U.S. warships.

"We part as friends, but we part company as far as the alliance is concerned," Secretary of State George P. Shultz told Prime Minister David Lange of New Zealand. He made the remarks after they had failed at a June 1986 meeting in Manila to resolve differences over the meaning of the 1951 Australia-New Zealand-United States security treaty known as ANZUS.

Two months later, the United States formally ended the defense ties that date back to the South Pacific campaigns of World War II.

Last September, after Mr. Lange's Labor Party won a second three-year term, the new foreign minister, Russell Marshall, said that there was a possibility of resuming limited military cooperation. But that idea was quickly knocked down by U.S. officials who noted that the situation actually had worsened as the result of the Lange government codifying its policy last summer in legislation banning nuclear weapons from New Zealand.

Testifying before Congress in September, J. Stapleton Roy, deputy assistant secretary of state for East Asian and Pacific affairs, said the administration supports legislation that would withdraw from New Zealand certain preferential treatment normally accorded to close American allies.

Such action, Mr. Roy said, "would demonstrate to the government of New Zealand that Congress fully shares the administration's concern over the damage that New Zealand's policies have done to Western security interests."

In short, the Reagan administration remains outspoken about its annoyance and disappointment over New Zealand's position. But it also has made clear that it regards the breach in the relationship as a separation rather than a divorce and hopes for a reconciliation. Nevertheless, U.S. officials stress, if the impasse is to be broken, it is New Zealand that will have to give ground.

At issue is the strong anti-nuclear position that helped propel Mr. Lange's party to power in 1984. Its promise to keep nuclear weapons out of the country immediately clashed with the long-standing U.S. policy of refusing either to confirm or deny whether any American warships calling at foreign ports are armed with nuclear weapons or powered by nuclear reactors.

To U.S. officials, that policy goes far beyond the individual tie with New Zealand to involve fundamental questions of worldwide American naval strategy. U.S. officials fear the ripple effects of

The dispute has not spilled over into the trade area.

According to New Zealand's argument that it has a right to inquire about the nuclear status of visiting U.S. vessels and deny them port-call privileges if they refuse to answer.

In the U.S. view, to meet New Zealand's demand would set a precedent that could affect adversely the more extensive American naval traffic into Japan and Australia and embolden anti-nuclear groups in Europe to demand that their governments no longer accept Washington's refusal to confirm or deny.

Initially, Mr. Shultz felt that he had assurances from Mr. Lange that the situation would be resolved amicably. Instead, to Washington's growing irritation, it dragged on for two years, barring U.S. ships from making any calls in New Zealand and forcing cancellation of the joint naval exercises that are the backbone of ANZUS activities. New Zealand contributes roughly a half-dozen frigates to ANZUS operations.

VARIOUS compromises proposed by the Lange government were rejected by Washington as even worse than the original New Zealand position, and the Reagan administration's tough stance received strong bipartisan backing in Congress.

As Representative Stephen J. Solari, Democrat of New York, the chairman of the House subcommittee on Asian and Pacific Affairs, noted: "You can't drive to an island nation like New Zealand, and if you can't get there by ship, you can't cooperate very easily in its defense."

In the end, the United States concluded that it could not carry out its obligations to New Zealand under the conditions set by the Lange government and that it would stop cooperating with New Zealand under the ANZUS treaty "pending adequate corrective measures."

But the administration also was careful to note that the treaty, while no longer a three-way affair, still exists and can be quickly reactivated in its original form. As then-Defense Secretary Caspar W. Weinberger summed up, "If New Zealand changes its policy, they'll be back in."

The upshot was to create a situation in the South Pacific where the United States continues a close naval partnership with Aus-

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Continued on page 12

Old Treaty Gives Maori Cultural Renaissance a Political Dimension

The Maori lost much of their land through wars, confiscations and legislation.

By Vernon Rice and Colin James

WELLINGTON—The major issue for New Zealand in the late 1980s is turning out to be race relations and sticking to a treaty made 147 years ago but which until recently has largely been ignored.

Under the Treaty of Waitangi, concluded in 1840 between the British and chiefs of the indigenous race, the Maori, sovereignty was ceded to the British Crown in return for a guarantee to the chiefs and tribes of New Zealand of "the full, exclusive and undisturbed possession of their lands and estates, forests, fisheries and other properties... so long as it is their wish."

However, until just a few years ago, few New Zealanders would have thought that the treaty could become a key to redefining the balance of power between the Maori and the country's predominantly white population.

Until recently, the treaty had been pronounced to have no force of law. However, a series of court decisions and legislative changes have begun to incorporate it into law and to give the Maori legal means of redressing longstanding grievances.

The Maori are demanding that the majority pakeha, as they call Europeans, honor the prin-

iple of partnership between the two peoples that the treaty expressed.

Last April, an action initiated by the Maori Council stopped the government from selling hundreds of thousands of hectares of Crown land to the newly created state-owned corporations, which were set up in place of former government trading departments.

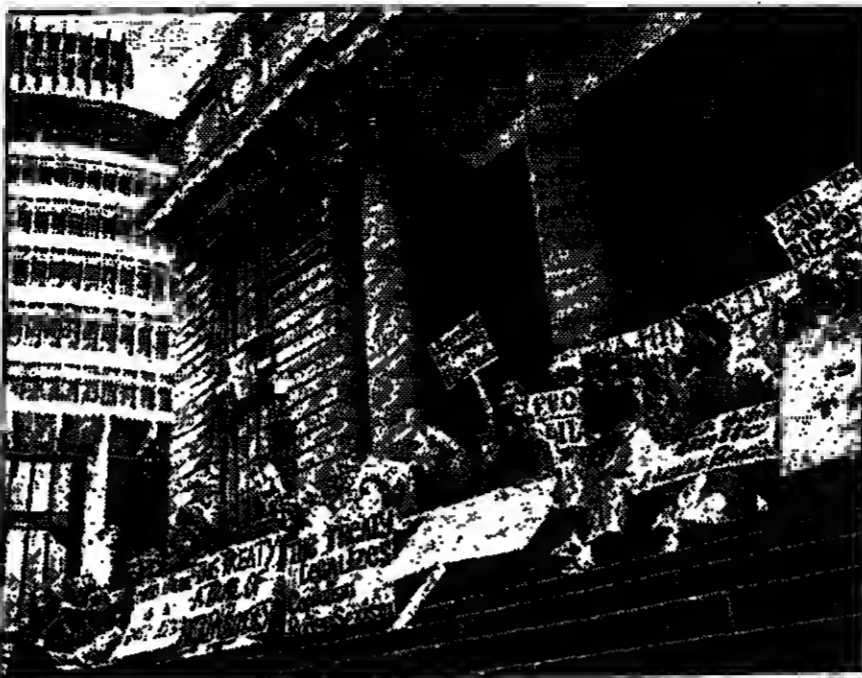
The Court of Appeal accepted the Maori argument that there should be no transfer without adequate safeguards against possible selling by the corporations of land that might be the subject of dispute before the Waitangi Tribunal. Vast areas of land are potential subjects of such dispute. In the legislation that set up the new corporations, Parliament inserted a clause prohibiting any act inconsistent with the principles of the treaty.

The Waitangi Tribunal is a quasi-judicial advisory body to the government. It was established in 1975 to look into disputes, particularly over land, stemming from the treaty. Its jurisdiction was originally limited to 1975, but in 1985 it was extended back to 1840, the date of the treaty's signing.

The Appeal Court decision compelled the government to reach agreement with the Maori Council—another advisory body set up in the 1960s—on the land issue before the transfer can take place. Agreement is expected soon. The decision has been hailed nationally as a turning point in the recognition of the treaty, particularly in its application to land and the natural environment.

Spurred by this, Maori tribes have won a High Court injunction against implementation of a quota system for fishing close to shore. They argued that the Waitangi Tribunal should determine Maori fishing rights under the treaty before the government acted "unilaterally" to issue fishing quotas.

Another court action, initiated by the Maori and still undecided, aims to overturn the award of a third television license by the Broadcasting Tribunal to a pakeha group. The legal argument is based on the treaty's partnership principle and a Waitangi Tribunal recommendation last year that the government should make a much greater effort to promote the Maori



Maori protesters and sympathizers during a demonstration in Wellington.

language. (A Maori Language Act has been passed, declaring Maori an official language but not on equal status with English.)

These and other moves signal potentially major changes in the country's political and economic life.

Under legislation dating back to a "temporary" arrangement in 1867, after a series of land wars precipitated by the English settlers, four seats in the 97-seat Parliament are reserved to Maori MPs elected by Maoris who choose to register on a separate electoral roll.

But, while Maoris do not want these seats abolished until there is other secure representation, there is widespread dissatisfaction with

the arrangement. Many Maori say the seats provide only a token political voice.

The four seats have been held by members of the Labor Party since 1942, and critics say the current four MPs toe their government's line at the expense of Maori interests.

Some want the number of seats increased to 12 percent of the seats in Parliament, the same percentage of Maori in the population as a whole. (But against this it has been argued that, since Maori families tend to have more children than pakeha, Maori adults are not 12 percent of the voting population. In any case, many Maori have chosen to register on the general roll.)

Deeper than simple representation in Parliament are growing calls among the Maori for equal representation between the two races in government in line with what they say is the treaty's principle of equal partnership.

The Maori argue that pakeha institutions have failed to deliver culturally appropriate services to them and that the pakeha should give up resources and responsibility to Maori authorities.

These demands in some cases extend to a call for an equal voice at the level of a supreme authority. Less extreme, but still to most pakeha a radical and threatening step, are the calls for the Maori to control a share of the economic and government resources equal to their percentage of the population.

These demands follow a strengthening cultural renaissance in language, arts and crafts, and particularly in the 1970s, in land claims. An example is the burgeoning Maori-language *kohanga reo* kindergarten movement. These schools were set up by Maoris with little state funding, but they are now supported by the government.

They also follow the failure of half a century of special welfare and social spending programs—essentially an assimilationist approach—to improve the Maori's economic and social status.

At the center of the Maori issue is land. Since 1840, Maori tribal estates have declined from almost 27 million hectares (66.5 million acres) to about 1.3 million hectares. This has both reduced their economic base and undermined cultural confidence.

In the period after the signing of the treaty when there were few European settlers, partnership seemed to be a reality. Maori producers and traders played a vital part in the colony's first years.

But once the Europeans became the majority in 1860, the Maori lost much of their land through wars, confiscations and legislation, and the British political, economic and social structure was imposed on the country. Most pakeha have little understanding of Maori culture and, at least until recently, have expected

the Maori to be absorbed into European culture. The Maori essentially became a political, social and economic underclass.

Maori comprise one-fifth of all unemployed in New Zealand and make up more than half of the prison population; most Maori leave school without formal qualifications; Maori incomes are markedly lower than those of non-Maori. And there is increasing anxiety about the growth of Maori gangs, whose often violent behavior has excited fears and a racist backlash among the pakeha.

This has been exacerbated by nationalist statements by some radical Maori, who have advocated Maori control of the country. Some, with support from nonradical Maori, supported the military coup in Fiji because it aimed to make the rights of indigenous Fijians paramount.

Mostly, the pakeha anxiety shows in social separation and some discrimination in housing. A more extreme example was a claim in Parliament by Ross Meurant, a new MP and a former policeman, that 13 Maori whom he named were plotting terrorist activity to overthrow the government. Mr. Meurant has so far not produced evidence to support his claim.

However, there have been changes both in the law and in administration. Mana Enterprises, a state-funded concessionary "bank" for small commercial projects, is administered through Maori authorities. So are so-called Access training plans for unemployed.

The government is also committed to handing over most of the activities and resources of the Maori Affairs Department to Maori authorities. And it has tripled funding of assistance to Maori over the past three years.

Still, many Maori say the changes are taking place too slowly. But there is also a quiet belief that time is on their side. The relatively high Maori birthrate means that within 30 years the Maori proportion of the population will probably be about 20 percent.

VERNON RICE reports on Maori affairs for the *Dominion* newspaper.

For the French, a Bogeyman in the Pacific

By Julian Nundy

PARIS—There was a time when the French considered New Zealanders dangerous only when they arrived in groups of 15 to play rugby.

However, in the 1980s, New Zealand has gained the reputation of being something of a bogeyman, an obstacle to France's interests in the South Pacific.

While this is a role that it shares with Australia and a number of smaller states in the South Pacific Forum, the consequences of the sinking of the Rainbow Warrior, a ship belonging to the ecologist group Greenpeace, in Auckland harbor on July 10, 1985, by French agents drew attention in France to a faraway country of which it had previously known little.

The Rainbow Warrior affair soured relations and brought often vitriolic exchanges between the

two countries for a year while New Zealand tried and imprisoned two French agents for their part in the sinking. One person, a Greenpeace photographer, was killed in one of the two explosions that sank the ship.

French officials, adopting an often indignant stance, frequently attacked New Zealand during this period, adopting "the classic trick of blaming the victim," in the words of one diplomat who monitors French policy in the Pacific.

But New Zealand now considers the episode closed and nothing more than "a strange aberration," diplomats in Paris say.

Although New Zealand allowed

the agents to leave prison and complete their sentences on a French Pacific island, and obtained a formal apology and \$7 million of compensation from Paris, there are still two main areas of serious discord between the two countries.

These are opposition to French nuclear tests at Mururoa Atoll and differences over France's handling of the aspirations of the Kanak, or native Melanesian, population in New Caledonia.

On the tests, diplomats said that New Zealand's position was, in fact, "a consensus position, not a lonely line," laid down by the nations of the 13-nation South Pacific

Forum, which want the South Pacific to be a nuclear-free zone.

France moved its testing there in the 1960s from the Sahara after giving its North African colonies independence.

The arrival of French tests came after the United States and Britain, which had been conducting atmospheric nuclear tests in the Pacific in the 1950s that had already aroused concern in the region, stopped testing there.

New Zealanders in Paris, who described their embassy in France as "a persuading post," said the Wellington government had difficulty convincing France that calls for an end to all testing in the Pacific were motivated purely by fears for the environment. France now conducts only underground tests at Mururoa.

Diplomatic sources said that reaction to the South Pacific Forum's opposition to its present-day tests often suggested that the French considered that the forum was "getting at something essential to them."

France, whose policy of maintaining an independent nuclear deterrent is widely supported at home, regards the existence of its own testing site as an important element in that policy.

Britain, the only other country with a nuclear force that does not have sufficient territory to do its testing at home, uses the U.S. site in Nevada.

Diplomats in Paris said that the problem of Pacific testing would perhaps be resolved in the content of an eventual comprehensive test ban treaty.

On New Caledonia, France has accused New Zealand and other states of supporting Kanak separatists, opening the way to Libyan and Soviet influence in the region.

Pacific states reply that it is France, by insensitive handling of the Kanaks, that is creating the breach through which subversion arrives.

At times, France's accusations have been grave.

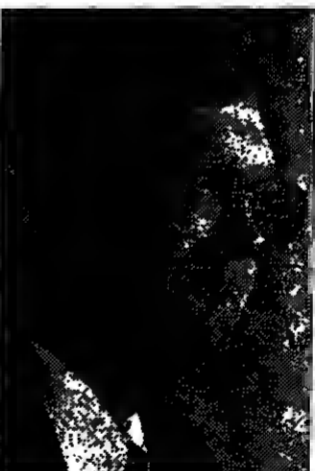
In January 1986, as he was campaigning for legislative elections which were to make him prime minister, Jacques Chirac accused New Zealand of "encouraging foreign groups hostile to France's presence in the Pacific, even aiding terrorists in New Caledonia."

Four months before, Charles Pasqua, one of Mr. Chirac's close associates in the Gaullist Rally for the Republic, said in a debate in the French Senate that New Zealand had supplied arms to "saboteurs" in New Caledonia.

Prime Minister David Lange replied that Mr. Pasqua's words were "a ludicrous and preposterous suggestion by a rather desperate seeker after publicity in an



The Greenpeace ship after its sinking in Auckland harbor in July 1985.



David Lange

The Rainbow Warrior episode is closed, but discord remains over nuclear tests and New Caledonia.

Acknowledging "a certain outspokenness" on both sides, New Zealand sources in Paris said that Wellington's desire was not to see France leave New Caledonia but to handle the Kanaks with more sensitivity and avert an explosion.

Quoting Mr. Lange as saying that "only France can replace France in New Caledonia," they said that the feeling in Wellington was that the territory needed "positive leadership, dialogue and training to help people take charge of themselves."

France, they said, was currently creating "a legacy of non-dialogue" that ignored the Kanaks' aspirations while it could be working toward "some form of self-government or independence in which the good relationship with France can be maintained."

"The frustration of the Kanaks will reach a point where the territory is in dead trouble and this will open the way to mischievous outsiders," the sources added.

Despite the acrimony that these issues provoke, officials from both

countries say they are able to maintain a good dialogue.

Trade between the two countries continues in New Zealand's favor. Figures for 1985, before some short-lived official and informal trade boycotts over the Rainbow Warrior registered their effect, were 634.6 million francs (\$111 million at today's rates) worth of French exports compared with New Zealand exports, mostly agricultural produce, of 1.35 billion francs. Both figures dropped slightly in 1986.

On the political level, New Zealand officials say they have good access to their French counterparts.

"We're in constant discussion over areas of common interest and of disagreement," one said. "Both of us take steps to see what we can do about the differences and that's the characteristic of relations of one friendly country to another."

JULIAN NUNDY is on the staff of the *International Herald Tribune*.

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Nuclear Stand Keeps Former Allies Apart

Continued from page 11

regular flow of highly sensitive American intelligence. Initially, there was considerable fear in New Zealand that the severing of security cooperation would spill into other areas and cause the United States to use trade and economic sanctions to put pressure on Mr. Lange. New Zealand's sales to the United States of wool, lamb, beef and cassis make the United States—along with Japan and Australia—one of its three biggest customers.

However, those fears appear to have been unfounded. The administration's position has been that, while New Zealand, for the moment at least, is no longer entitled to various special considerations reserved for allies, it remains a friend whose values are firmly

rooted in the West and whose trade and economic interests parallel those of the United States.

That attitude seems to be reciprocated by Mr. Lange, who originally greeted the severing of security ties with charges that Washington was trying to bend New Zealand to its will with "bullying tactics."

More recently, although he has remained inflexible on the nuclear issue, Mr. Lange's government has muted its criticism of the United States considerably, taking the same sort of "more in sorrow than anger" approach to the dispute that one hears in Washington.

"We are not New Zealand's enemy, and we are not trying to punish them," said one U.S. official, who declined to be identified.

"But we don't want to gloss over our feeling that New Zealand's position in ANZUS has harmed our interests and those of the West. Although we regret it very much, until that problem is resolved, the relationship cannot have the closeness and intimacy that existed before."

Or, as Mr. Shultz summed up Washington's view, "We have great affection for the people of New Zealand. But we also remind them that those who value freedom have to be prepared to defend it."

JOHN M. GOSHEK reports on diplomatic issues for *The Washington Post*.

APOLIO/ISA

Economy ■ Manufacturing

Policy Seems at Odds With Fundamentals In Economic Outlook

The economy is heavily debt-laden. And the government is no exception.

By Colin James

WELLINGTON — There are two ways of looking at the New Zealand economy: according to the policy the government is pursuing or according to the fundamentals. Each yields widely different judgments.

Generally, pronouncements on the government's policy direction are positive, but the numbers tell a different, mostly negative story. Economic policy up to 1984 was heavily interventionist, using government regulation and overseas borrowing to sustain production and exports and living standards. That reached its apogee with a freeze in mid-1982 on wages, prices and rents, followed by direct controls on interest rates at the end of 1983.

The Labor government of David Lange, which took over in mid-1984, changed direction sharply, freeing markets, deregulating, deprotecting and desubsidizing — to widespread praise. But views have been divided over the government's macroeconomic stance, which has failed to close the budget deficit (although it now runs at only about 2 percent of gross domestic product, down from 9 percent in the 1983-1984 fiscal year) and left interest rates high. This has attracted foreign money and kept the exchange rate relatively high, which, in turn, has contributed to the balance of payments deficit.

The problem has been inflation, which has persisted at a double-digit level, even discounting the impact of a 10 percent tax on goods and services imposed on Oct. 1, 1986.

To reduce inflation, the government has maintained a fairly tight monetary policy, constricting the supply side. Booms in the share and property markets, coupled with the continuing budget deficit, kept demand relatively high, thus forcing interest rates up. For most of 1987, rates for benchmark 90-day commercial bills have been in the range of 18 percent to 21 percent. Five-year government bonds moved

between 16 percent and 17 percent, with peaks in both considerably above that. Rates like that have proved irresistible to short-term foreign investors, who have bid up the New Zealand dollar. It began 1987 at 65 New Zealand cents (around 50 U.S. cents) on the trade-weighted index and climbed to 76 cents on Oct. 6.

Because of the high inflation rate, this meant a hefty upvaluation in real terms and damage in the exporting and import-substituting sector. Nevertheless, the balance of payments has until recently been improving. But it has been largely for the wrong, or fortuitous, reasons. For one, the price of agricultural commodities, which still make up about half of exports, has improved, turning the terms of trade upward.

Secondly, there has been a reduction in oil imports as a gas-to-gasoline conversion plant has gone into operation to supply about half the country's motive fuels. Thirdly, since the beginning of 1987, real disposable income has been contracting, constraining demand for imports.

And even with those gains, the deficit is running about 1.8 billion New Zealand dollars on a yearly basis. This adds automatically to overall foreign debt. In June, the Statistics Department put total foreign debt at 34.2 billion New Zealand dollars, about 66 percent of gross domestic product.

But that figure includes only borrowings for terms below one year. Total foreign debt, including short-term debt, much of which is rolled over and is, in effect, longer-term, has been variously estimated by private-sector economists at up to 45 billion dollars.

The economy is thus heavily debt-laden. And the government is no exception. Servicing official debt takes one-quarter of the budget, severely reducing the scope for spending cuts to bring the budget into balance.

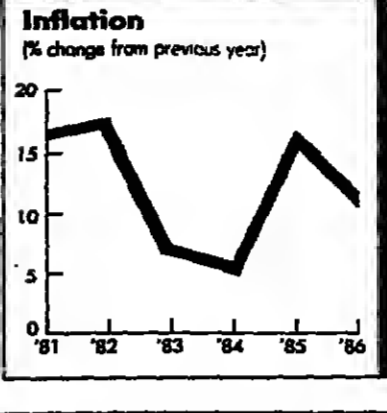
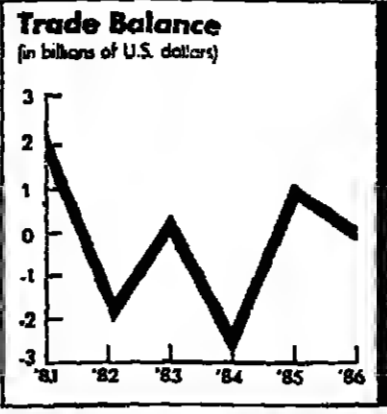
Finance Minister Roger Douglas has opted for selling shares in government enterprises and in some cases selling the enterprises off. This worked reasonably well with the floating of shares in the Bank of New Zealand (equal to 30 percent of a reconstructed and expanded capital base) and very well in the float of 30 percent of the state petroleum exploration and processing company, Petrocorp.

Then came the stock market crash. The collapse was worse in New Zealand than in most markets, partly because of a high proportion of investment companies whose positions deteriorated drastically with the crash.

Accordingly, the psychological impact was also severe. One fallout is expected to be the end of a commercial building boom, which has been an important sustaining factor in the economy.

Thus, the contraction that was already under way in the economy (retail spending was down

Economic Profile



1 percent in the five months to July, unadjusted for inflation) is now expected to worsen. Although few reliable forecasts are yet available, a contraction in real gross domestic product of between 1 percent and 2 percent is not unlikely.

Previously, most forecasts were for a flat economy in 1988, leading to an upswing in the following years.

Particularly worrying is the prospect of a downturn in the terms of trade if agricultural prices fall again. Farming was severely hit by the Douglas deregulation and desubsidizing — real net farm incomes fell nearly two-thirds between 1983-1984 and 1985-1986, capital spending on farms dropped one-third and land prices fell by more than half, eliminating many farmers' equity. The situation on the farms had begun to stabilize as farmers adopted more businesslike practices, and those with low debt did very well in 1986-1987.

With the prospect of gradually falling interest rates, it began to look as if the worst was over for farmers and that forced sales might be contained to below 5 percent.

Falling prices would reverse that and put more farmers at risk. In addition, global recession would damage manufactured exports, already badly hit by the "high" New Zealand dollar.

Although manufacturers have greatly improved labor productivity and management techniques to stay profitable in harder conditions, many have given up the fight and shifted to imports or invested offshore. Manufacturing investment, particularly for export,

dropped 9 percent in nominal terms between the June quarters of 1985 and 1987.

But there are some positive spinoffs from the stock market crash. Inflationary forecasts have contracted, as reported by the Reserve Bank, and demand for money has declined, both by corporations and by consumers.

Single-digit inflation was already in prospect for calendar 1987 after a 1.6 percent rise in the September quarter. It is now thought likely that that can be sustained, even with a decline in the dollar.

Lower inflationary expectations and lower demand are already bringing interest rates down — the 90-day rate fell below 18 percent on Nov. 17 and the five-year bond rate below 16 percent on Nov. 12.

That should reduce demand for the dollar, which should decline to a level more sustainable for exporters and import-substitution industries. Mr. Douglas said in an interview on Nov. 3 that there was already evidence that the pressure was coming off the tradables sector and switching to the non-tradables, which economists have said is desirable.

The outlook, therefore, is mixed. On the negative side, there is high debt, inflation and interest rates still too high and a fragile export sector. On the positive side, the economy has already become leaner and more competitive through Mr. Douglas's restructuring moves and it may weather the coming storms far better than it would have been able to three years ago.

Big Business Braces For Market Exposure

By Selwyn Parker

AUCKLAND — In the new economic environment engineered by the Labor government, big business is facing a major dilemma — after extracting historic profits from a protected market, it is now battling to find its future in an exposed one.

The plight of New Zealand Forest Products, ranked second among the country's manufacturing companies, illustrates the problem. The wood-processing concern is now embroiled in major internal upheavals as it enters a more competitive market.

As Warren Hunt, recently retired managing director of New Zealand Forest Products, points out, the old cost-plus mentality does not work any more. "It was too easy to accept increased costs from various quarters, including union pressures, and pass these costs on," he said. "NZFP was not immune from the effects of this environment."

The same observation could be made about many of New Zealand's manufacturers, but it is probably more true about NZFP than any other. A good example of cost-plus is the company's manufacturing base in the North Island town of Kileleith. Very much an NZFP entity, surrounded by its own fast-growing pinus radiata pine forests, Kileleith flourished in a soft manufacturing climate.

As Laurie McDowall, operations director, says: "Like many other industrial activities, the operations at Kileleith evolved in a climate of high tariffs, import licensing, taxation breaks and export tax incentives."

Those fat paychecks at Kileleith are now threatened by layoffs, low wage raises and reduced margins in the teeth of competing imports.

NZFP is also pushing through productivity and labor efficiency agreements. All inefficient operations are being closed down, with the number of paper machines being reduced. The plant is being modernized — the \$120 million first stage is far advanced.

Cost-cutting measures, such as the substitution of contractors for direct labor in the forests, are already in place, thus reducing capital tied up in heavy equipment like logging trucks.

Instead of a headquarters-driven organization, NZFP has become a decentralized one, with six separately accountable divisions — forests, pulp and paper, lumber, panel products, building supplies and technology — and a slashed head office team.

At Kileleith alone, Mr. McDowall is confident that over the next four years output will rise by 40 percent, manning levels will drop by 45 percent and profitability will double.

Now, in a general observation about the results of protection of the manufacturing industry, Mr. McDowall says: "Problems begin when inefficient producers are protected or inefficient exporters are subsidized."

NZFP is not entirely typical of New Zealand manufacturing, because of its size. But the

same painful analysis is going on throughout the spectrum of New Zealand's manufacturing: only the degree of upheaval is different.

The revolution started two years ago. Now, manufacturing industry in general is further down the restructuring track than NZFP. Several trends have emerged in previously protected industries.

Many companies, notably Feltek International, carpet makers, took a hard look at their base business and did not like what they saw. Now, Feltek makes more money on non-carpet activities.

Others have shaken off an attitude of insularity and tried to forge durable offshore marketing strategies. Fisher and Paykel, leading white goods manufacturers, in 1987 nearly trebled its profit in 27.7 million New Zealand dollars (\$16.62 million) on turnover of 414 million dollars, partly helped by going for brand-based instead of price-based sales in overseas markets.

In October, after expensive and largely unsuccessful years of trying to develop offshore sales through its own resources, New Zealand's biggest food producer, Wattie Industries, joined the Australian Goodman Fielder conglomerate. It is a measure of the comprehensiveness of this sea change in New Zealand manufacturing that Wattie, a household name that started out as a husband and wife jam-making company, will now disappear from the main board of listed companies.

The battle is to establish offshore brands and reduce dependence on New Zealand's small and mature market of just 3.2 million people. Brewer Lion Corp. has expanded sales dramatically through its Mace's Liquor chain in Australia — a 1986 acquisition — and has engaged a Canadian distributor, Martlet and Co., to handle its Steinlager brand throughout the United States. The rival New Zealand Breweries is pumping cash and personnel into its competing brand, Kiwi Lager, which was only launched internationally this year.

There is growing anxiety, however, about export income from manufacturing.

As the Reserve Bank states in its latest quarterly bulletin: "While there were earlier indications that manufacturers were prepared to maintain trade with established markets despite less favorable prices, a lengthy period of strength for the New Zealand dollar against the Australian dollar, the phasing out of export incentives and lower demand in the key Australian market resulted in a significant decline in manufactured exports."

In fact, manufactured export volumes fell 8 percent in the first three quarters of 1986-1987. And according to the National Bank's monthly Business Outlook for November, times remain uncertain.

But there is a lot of evidence that New Zealand's manufacturers are making the right moves. It is just that macroeconomic influences are conspiring against them.

SELWYN PARKER is a financial journalist based in Auckland.

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Farmers Look to GATT to Lift Profits

By Hugh Stringleman

AUCKLAND — Beseated by high interest rates and low product prices, New Zealand's sheep and dairy farmers are looking to multinational trade negotiators in Geneva for a pay raise of \$800 million annually.

The minister of overseas trade and marketing, Michael Moore, has raised these expectations by saying that this is the cost to New Zealand's 50,000 full-time farmers of world agricultural trade subsidies and tariffs.

As a result, New Zealand farmers are vitally concerned about the outcome of the next round of the General Agreement on Tariffs and Trade (GATT) talks, which include agriculture for the first time as a major topic.

New Zealand farmers hope GATT negotiators in Geneva will agree to wide-ranging reforms of world agricultural trade protectionism along the lines being suggested by the United States, or by the so-called Cairns Group of 14 nations, including New Zealand, which met in Cairns, Australia, last year to organize for the forthcoming GATT round.

The 14 proposed a three-phase reform of world agricultural trade:

- Revised and strengthened rules to govern such trade.
- Systematic reduction of agricultural support.

• Immediate interim action to freeze subsidies and cut back access barriers and other nontariff measures that are distorting the world market.

As one of the most efficient producers in the world of dairy products and meat, New Zealand stands to gain considerably from the elimination of European Community and U.S. subsidies, which force overproduction and dumping of food into East bloc and Third World countries at low prices.

New Zealand still receives about 60 percent of its overseas earnings from agriculture, and its economic history of the last 20 years has been about trying to maintain a high standard of living on commodity trading without a substantial manufacturing base.

Various governments tried to insulate farmers from declining commodity prices and to minimize the effects of dwindling returns on the economy by introducing farm subsidies, borrowing overseas and devaluing the New Zealand dollar.

But in 1984, the Labor government called a halt to that macroeconomic policy and thrust farmers into the real world of international market prices. Dairy and grain prices to farmers dropped considerably.

The small cropping industry was hit hard when wheat prices dropped by one-third. Winter wheat sowings this year were cut down as farmers turned to spring barley and peas or tried to buy in livestock.

New Zealand will now obtain most of its wheat from Australia, but more than 2,000 farmers in the South Island are among the worst-affected financially and many are faced with selling out.

Dairy returns dropped by one-quarter and farmers responded by trying to increase production of milk. They held on to their single-deck marketing system, using the Dairy Board, and oow international dairy product prices are starting to improve again as the EC addresses its massive overproduction.

New Zealand overproduced sheepmeats during much of the early 1980s but a sharp reduction in lamb prices to farmers reduced slaughtering by 25 percent annually, and supply and demand is now back in balance.

Meat companies are trying to move away from bulk-disposal, low-price markets like Iran into further-processed, higher-value, consumer-ready cuts. Returns to farmers are expected to rise slowly from a very low base last year when, on average, only 15 percent of the overseas wholesale price was received back on the New Zealand farm.

Besides cutting down on farm subsidies, the New Zealand government in 1984 floated the dollar, and the effects on exporters ever since have been considerable.

The economic and foreign policies of Prime Minister David Lange's Labor government attracted overseas investors, who bought New Zealand dollars and securities and forced up the ex-

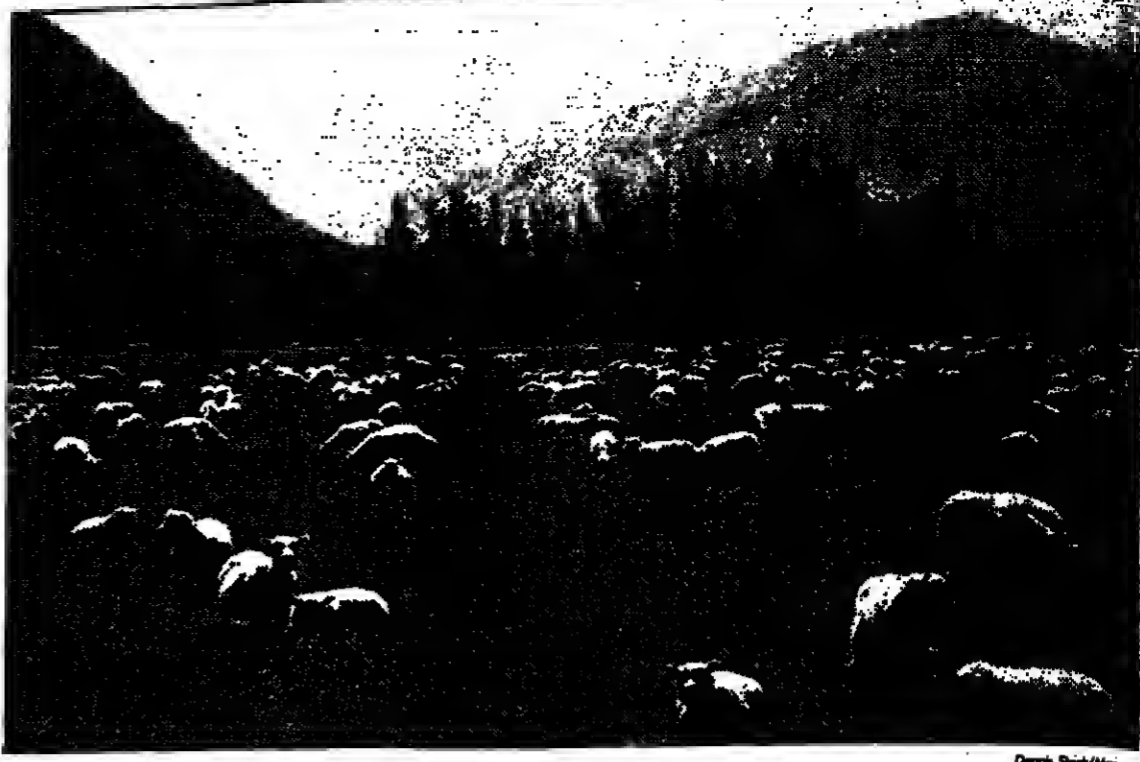
change rate during much of the last two years. From a low of 42 U.S. cents to the dollar after the float, the New Zealand currency rose in value to reach 64 cents in early October. It then plunged five cents when world stock markets crashed on Oct. 19, but has edged slowly upward again.

This high value of the dollar has mystified farmers and exporters, who have been conditioned over the years to expect easy returns by regular currency devaluations.

But it is the high interest rates and inflation that have really hurt all New Zealand producers during 1987. After two decades of double-digit inflation, interest rates climbed to more than 20 percent, helped by a tight money policy to try to control the national debt and force down inflation. This economic prescription, referred to as "Rogernomics," after Finance Minister Roger Douglas, has worked on inflation, which is now below 10 percent annually and is expected to bottom out at 5 percent. But high interest rates continue to put off borrowers, many of whom are refraining from seeking loans.

Interest rates are only coming down very slowly and farmers, in particular, are not borrowing for fertilizer, machinery or land development.

New Zealand is heading into a recession caused by reduced investment spending and climbing unemployment. While many concede that Rogernomics is working on inflation and may be



Sheep grazing at Garston, in the South Island.

working on reducing interest rates, the question remains as to whether the cure will work quickly enough to prevent a drastic economic downturn.

But the government is firmly com-

mitted to its harsh policies, and it was recently re-elected, to three more years in office.

That is why everyone in the primary exporting sector must look to Geneva

for any longer-term improvements in commodity prices.

HUGH STRINGLEMAN is editor of *The Farmer*, a New Zealand newspaper.

EC Trade Relations Hinge on Wider Dairy Exports, Fewer Subsidies

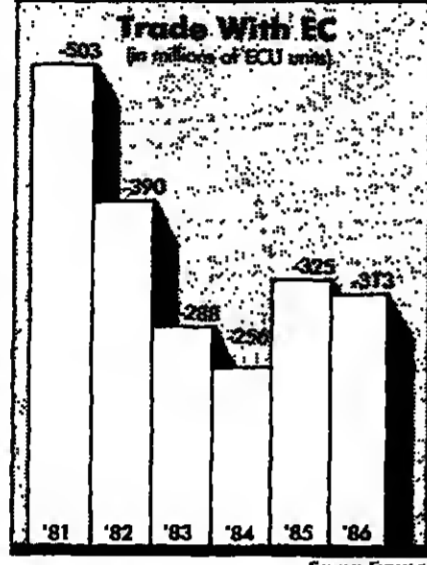
By Giles Merritt

BRUSSELS — One way or the other, 1988 is going to turn out to be a watershed in New Zealand's relationship with the European Community. At issue is both the question of New Zealand's dairy exports to the EC, meaning chiefly Britain, and the much wider problem of whether the EC will reduce the level of farm export subsidies that are driving New Zealand produce out of world markets.

By coincidence, two important trade issues must be settled within the coming 12 months that will decide whether Wellington continues to look to Brussels to sustain a crucial part of its export needs or whether it definitively turns away to new markets nearer home.

Next year, the New Zealanders have to renegotiate their long-standing special dairy exports deal with the EC. At the same time, they must look seriously at the idea of helping to forge what might amount one day to a Pacific area common market.

For 1988 is the year that the Australia-New Zealand Closer Economic Relations (CER) treaty comes up for review, and there is strong pressure for using a renewed five-year CER pact as the basis for a much wider Pacific basin trade pact involving the ASEAN nations



(Thailand, Singapore, Indonesia, Malaysia, Brunei and the Philippines).

New Zealand's minister of trade and industry, David Caygill, has talked tentatively of widening the Canberra-Wellington CER treaty

of 1983. But what that might mean in practical terms is still far from clear. It appears, though, that New Zealand may have in mind a special round of tariff and quota cuts that would draw in not only the ASEAN countries but also perhaps trading partners as far away as Latin America.

With the European Community in the throes of a serious budgetary crisis, and therefore contemplating major structural changes to the Common Agricultural Policy (CAP), New Zealand can be under few illusions about its chances of sustaining even the present reduced level of dairy exports to the EC.

The air has cleared since the row that broke out between France and New Zealand over the sinking of the Greenpeace vessel, the Rainbow Warrior, and the imprisonment of the two French undercover agents who were found responsible.

Last year, Prime Minister David Lange undertook a European tour to ensure that good relations would be restored with Paris. New Zealand has been anxious that political tensions should not mar its chances of retaining as much of its dairy sales to the EC as it can.

Wellington has fought a fairly successful rearguard action in defense of those exports ever since Britain joined the EC in 1973. New Zealand's European dairy market is to a very large extent the British market, and for the past

15 years there has been heavy pressure from Britain's EC partners to restrict New Zealand's access.

The result has been a sharp acceleration in the way that New Zealand has had to turn away from its traditional British market and find alternative outlets. Fifty years ago, at the outbreak of World War II, four-fifths of New Zealand's farm exports went to Britain. Today, that figure, which by 1960 had already shrunk to about 50 percent, has dwindled to a mere 15 percent.

Britain, therefore, accounts for about the same proportion of New Zealand's farm exports as do each of Wellington's main trading partners, namely Australia, Japan and the United States. But with New Zealand's dairy farmers now severely feeling the pinch from stagnant markets and falling world prices, the New Zealanders are anxious to safeguard whatever European sales they can.

The economic conditions that New Zealand's 15,000 dairy farmers have to contend with are severe. Some of the country's large-scale, super-efficient farmers, who on average milk about 150 cows a day on their one-man farms, are now earning less than New Zealand's official minimum wage. With many farmers burdened by heavy debt repayments, this year has already seen a rash of bankruptcies.

By contrast, comparable European dairy farmers often operate no more than 15 cows but are buttressed by the guaranteed prices and export subsidies of the European Community's CAP. And New Zealand is uneasily aware that among the first victims of the CAP reforms now under discussion are likely to be New Zealand's dairy exports to Europe.

In mid-1984, the EC signed a five-year agreement with New Zealand that set new, and reducing, limits on the amounts of New Zealand butter that would be accepted into the EC. For 1984, the level was 83,000 tons, dropping to 76,500 tons this year and 74,500 tons in 1988.

THESE levels are very roughly about half the amount of butter that New Zealand was permitted to sell during the transition period that followed Britain's accession to the EC. However, there are now fears that they will be considerably greater than the new limits that the EC Council of Ministers is to set next year and which will come into force on Jan. 1, 1989.

For New Zealand, meanwhile, persuading the EC to reform its farm subsidies has become as important as negotiating a satisfactory new agreement governing sales of New Zealand butter to the European Community. The New

Zealand Dairy Board argues that world prices for dairy products could double without depressing consumption if the EC were to stop holding down prices by selling large quantities of cheap subsidized produce onto world markets.

Such arguments have so far fallen on deaf ears in Brussels and the European capitals. To a large extent, the matter of farm export subsidies is out of the hands of the New Zealanders.

The issue of agricultural subsidization by both the EC and the United States is one that many other countries are deeply concerned over, and it is a major element in the current Uruguay round of GATT multilateral trade negotiations.

Whether the General Agreement on Tariffs and Trade round will succeed in reining back farm subsidies by the richest industrial countries that are depressing agriculture in many of the poorest developing countries is a question that goes far beyond the EC-New Zealand relationship. It is, however, one that is a continuous source of friction and that is pushing New Zealand to look to its Pacific basin partners for new and more positive trade links.

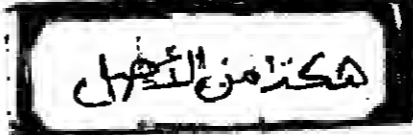
GILES MERRITT is a journalist based in Brussels.

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Currency Rates

Interest Rates

Asian Dollar Swap

U.S. Money Market

Gold

TUESDAY, DECEMBER 1, 1987

Page 15

INTERNATIONAL STOCK MARKETS

India Hopes Mutual Funds Will Tempt Wary Villagers

By DEV VARMA
BOMBAY — The State Bank of India on Monday launched one of four domestic mutual funds...

Fund managers will buy back the certificates at or above par even if net asset value falls.
The SBI mutual fund offers two million certificates priced at 500 rupees each...

MERCHANT bankers said that two open-ended offshore funds are also expected early next year.

After an 18-month boom in which they attracted new investors from middle- and low-income groups, Indian stock markets have been depressed since June 1986.

Surplus Shrinks In Japan Interim Figure Is Nearly Halved

By LOUIS UCHITELLE
TOKYO — Japan's trade surplus shrank by nearly 50 percent in the first 20 days of November...

The Finance Ministry said Monday that the interim trade surplus narrowed to \$2.09 billion from \$3.90 billion a year earlier.

Nor did the ministry clarify the source of the import surge. A surge in oil imports, for example, might merely reflect a trend in prices.

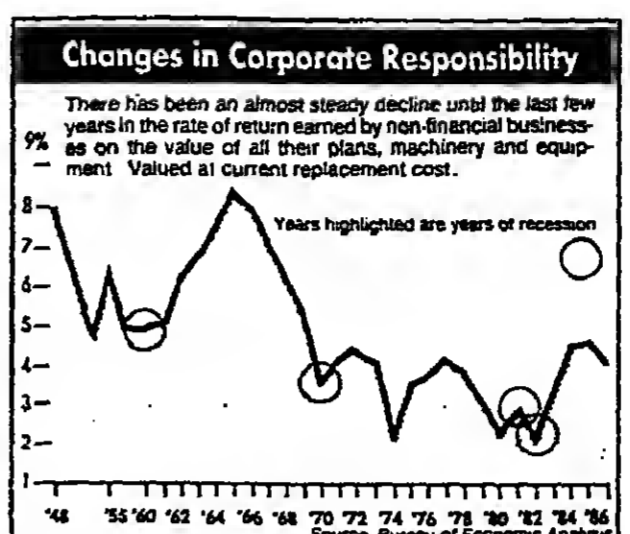
In U.S., Nice Profits but Slim Returns

Net Paybacks Cannot Fund Expansion

By LOUIS UCHITELLE
NEW YORK — After 15 years of decline, the profitability of U.S. business, measured as a return on investments, is rising again...

But many economists argue that the improvement is not enough to cause the stock market to rally or for corporate management to engage in another major round of factory modernization.

Weyerhaeuser Co. illustrates the point. This highly profitable wood and paper products company reported a net income of \$276.7 million last year, a 38 percent improvement over 1985.



That profit, however, represented only a 5.8 percent return on the billions of dollars the company had spent to build or purchase its network of paper mills and sawmills...

'We don't build a \$400 million mill at today's profit margins.'

Weyerhaeuser could have earned more money if it had sold off all the holdings and invested the proceeds in Treasury notes or bonds...

Yasuda to Buy Up to 25% Stake In PaineWebber

Compiled by Our Staff From Dispatches
NEW YORK — The investment firm PaineWebber Group Inc. said Monday it had agreed to sell an equity stake of up to 25 percent to Yasuda Mutual Life Insurance Co.

The purchase has been under negotiation since Aug. 19, but the stock market drop on Oct. 19 disrupted the talks.

Under terms announced Monday, Yasuda agreed to buy about 6.74 million shares of a special series of voting preferred stock for \$300 million and will receive warrants to buy an additional 375,000 common shares.

In a 'Latchkey' Era, U.S. Teens Are Gaining Power of the Purse

By Andrew H. Malcolm
NEW YORK — Quietly, the economic power of America's teenage population is mushrooming...

As a result of a convergence of social forces that include rapid growth in two-career families and single-parent households, the 25.5 million American teen-agers are coming to play a major role in deciding how to spend billions of dollars of family money...

research manager for Campbell, Ms. Rastovsky, who has concluded a major market study of this generation of teen-agers, calls them "the power children."

They're out there spending big bucks and few people have noticed, she said. "Teens are a real growth part of the food market."

It has created a generation of "latchkey children," who spend at least half an afternoon at home alone until their parent or parents return from work.

These developments create new challenges for companies accustomed to selling to adult women. Not only must they seek immediate sales by appealing to a notoriously fickle teen-age market, they must seek to build long-term brand loyalty at a much earlier age.

Currency Rates

Table with columns for Currency, Bid, Ask, and other rates for various international currencies.

Other Dollar Values

Table listing various dollar values and exchange rates for different regions and currencies.

Interest Rates

Table showing interest rates for Eurocurrency deposits, key money rates, and Asian dollar deposits.

U.S. Money Market Funds

Table listing various U.S. money market funds and their performance metrics.

Gold

Table showing gold prices and market activity for various locations.

Bonn Studies Plan to Boost Investment

By LOUIS UCHITELLE
BONN — The West German government, under pressure from abroad to stimulate its economy, said Monday it was reading a plan that could be presented to the cabinet as early as this week.

Economics Minister Martin Bangemann said he would meet Finance Minister Gerhard Stoltenberg on Tuesday to discuss ways to lift 1988 growth to 2 percent.

Government sources had said over the weekend that the two men planned a 15 billion Deutsche marks (\$9.14 billion) program to promote investment.

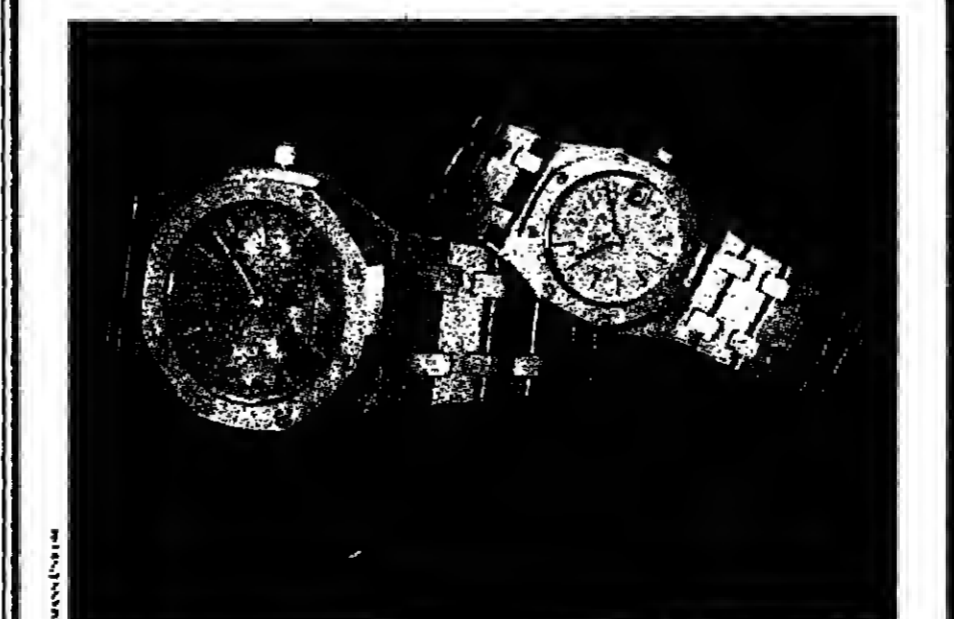
On Monday, Franz Josef Strauss, who heads the Bavarian Christian Social Union, part of the governing coalition, said the government would boost investment by offering cheap loans.

Mr. Bangemann said that any proposals that he and Mr. Stoltenberg supported would be presented to the cabinet this week.

The measures would be presented to the Group of Seven leading industrial democracies, if that group meets to discuss global economic problems.

West German economists were unenthusiastic Monday about reports of the investment program.

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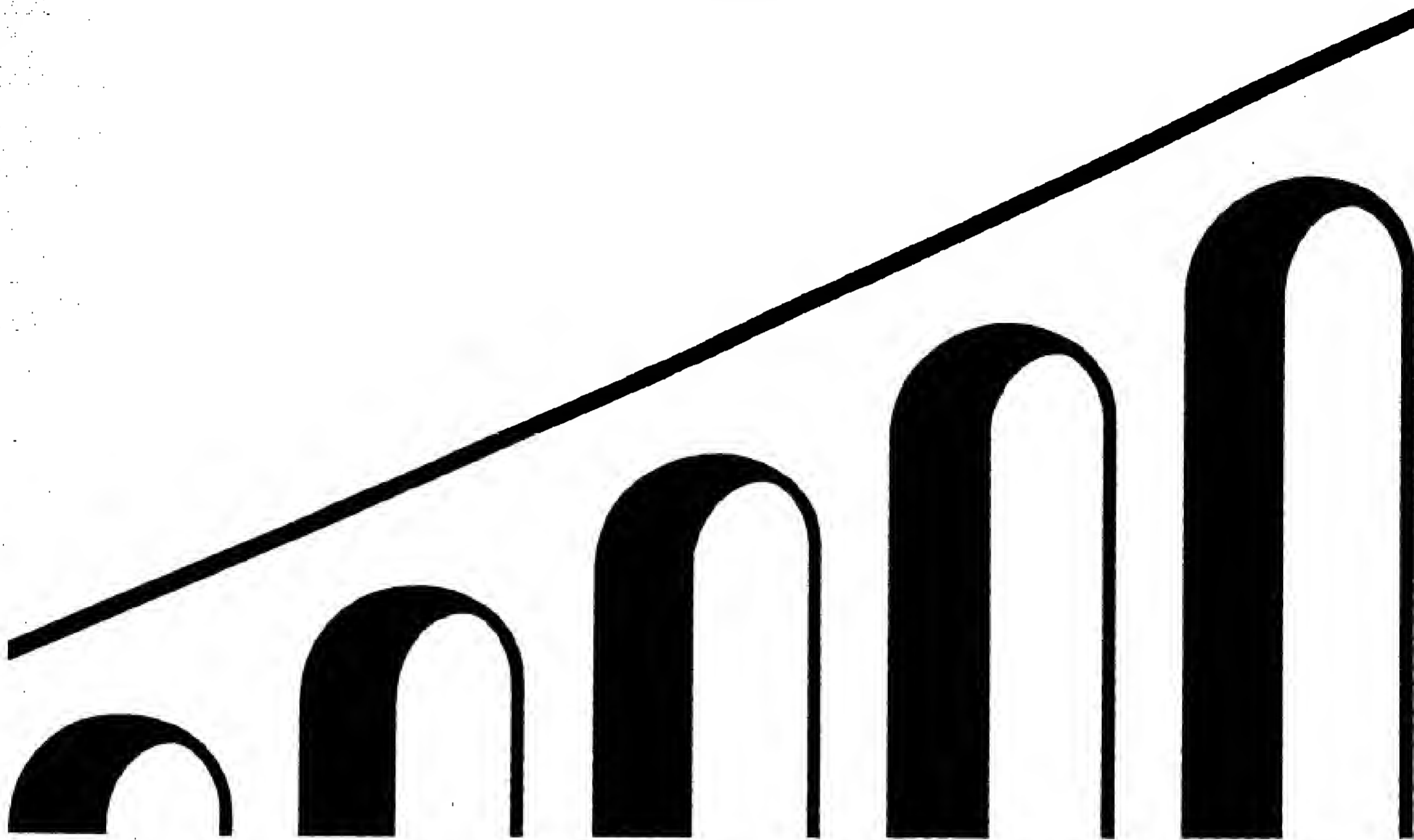
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Open System Architecture supports operating systems standards that ensure easy growth and protected investment. Its foundation is a UNIX-based system, which conforms to the UNIX System V and X/OPEN standards. In the Open System Architecture, Olivetti maintains its commitment to MOS, the Olivetti operating system developed for specific market sectors and a range of Olivetti products aligned to the ISO/OSI standard facilitates Local and Wide Area Networking communication. In addition full connectivity to the corporate database is ensured. And Open System Architecture includes a host of applications software (including full integration with the world of MS-DOS) calculated to satisfy the most demanding needs.

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RUSSELL BANK

Floating-Rate Notes

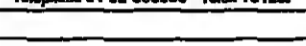
Table with columns: Issuer/Name, Coupon, Maturity, Bid, Ask. Includes sections for Dollars and Foreign & Colonial Reserve Asset Fund.

Table listing various international funds with columns for fund name, currency, and price.

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With new circuitry generations every three years, the chip makers pour money into R&D and then close down old production lines and lay off redundant people to get set for new growth.

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US Futures

Table of US Futures prices for various commodities like Wheat, Corn, Soybeans, etc.

Pounds Sterling

Table of Pounds Sterling futures prices.

Deutsche Marks

Table of Deutsche Marks futures prices.

Japanese Yen

Table of Japanese Yen futures prices.

E.C.U.

Table of E.C.U. futures prices.

Grains

Table of Grains futures prices for Wheat, Corn, Soybeans.

Food

Table of Food futures prices for Coffee, Cocoa, Sugar.

Metals

Table of Metals futures prices for Copper, Aluminum, Zinc.

Livestock

Table of Livestock futures prices for Cattle, Hogs.

Table of international exchange rates for various currencies.

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INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 30th Nov 1987

Large table listing various international funds with columns for fund name, currency, and price.

U.K. Firms Judged To Face Better Odds Than in '70s

London — Despite the stock market crisis, British companies face better odds of achieving growth in profit than they did during the 1970s recession, leading businessmen say.

Paris Commodities

Table of Paris Commodities prices for SUGAR, COCOA, COFFEE.

London Commodities

Table of London Commodities prices for SUGAR, COCOA, COFFEE.

Spot Commodities

Table of Spot Commodities prices for SUGAR, COCOA, COFFEE.

U.S. Treasuries

Table of U.S. Treasury bond yields.

Stock Indexes

Table of Stock Indexes for various markets.

Commodity Indexes

Table of Commodity Indexes for various commodities.

Autolatina Expected Losses to Expand To \$200 Million

SAO PAULO — Autolatina, a Brazilian government-owned carmaker, said on Monday it expected its losses in Brazil to rise to between \$200 million and \$300 million in 1987.

U.S. Treasuries

Table of U.S. Treasury bond yields.

Dividends

Table of Dividend payments for various companies.

To Our Readers

Deutsche mark futures option prices were not available in this edition because of transmission delays.

BUSINESS ROUNDUP

Spanish Bank Tries Hostile Takeover

MADRID — Banco de Bilbao, a leading Spanish bank, launched a rare hostile takeover bid Monday for Banco Español de Crédito, or Banesto, but was confronted with an unexpected counteroffer.

U.K. Eurotunnel Offering Is Only 80% Subscribed

LONDON — Despite a multimillion-dollar advertising campaign, British private investors have subscribed for only 80 percent of a share offering by Eurotunnel, the British-French consortium that plans to build a tunnel beneath the English Channel.

Bosch Will Own 81% of ANT By Buying Out Mannesmann

DUSSELDORF — Robert Bosch GmbH, the electronics group, has agreed to buy Mannesmann AG's 40.8 percent stake in the holding company ANT Beteiligungs GmbH, Mannesmann said Monday.

Japan Issues Telecom Permits To 2 Groups

TOKYO — The Posts and Telecommunications Ministry issued licenses Monday to two new groups to operate in Japan's deregulated international telecommunications market.

Scott Paper Expects Gain In Earnings

PHILADELPHIA — Scott Paper Co. expects to earn between \$5.75 and \$6.30 a share in 1987 and between \$6.75 and \$7.50 a share next year, its chairman, Philip Lippincott said Monday.

Promoting the Prune: Growth of a French Industry Shift From 'Medicinal' Marketing Has Raised Output Nearly Fivefold Since '63

By Kurt Ruderman International Herald Tribune VILLENEUVE-SUR-LOT, France — Most Frenchmen would be hard put to explain why when something doesn't work out, they say they did it pour des prunes, for plums.



Plums are not plucked from the tree; they are picked up off the ground, or off tarpaulins or nets spread under the trees.

fruit products, with jams and jellies, and my penetration of the American market, which currently accounts for a substantial part of our exports," Mr. Chabrit said.

Advertisement for The Oberoi, Bombay. It features a photograph of a hotel interior and text describing the hotel's amenities and location. The text includes: 'The Oberoi, Bombay. When everything has to be just right. Unmistakably, a truly outstanding hotel in the heart of the business centre of Bombay.'

Pioneer Lifts Stake in Giant To 19.9%, Is Seeking 44%

SYDNEY — Pioneer Concrete Services Ltd. said Monday it had bought 18.9 percent of the issued capital of Giant Resources Ltd., a mining and exploration group, from Ariadne Australia Ltd. for 166.84 million Australian dollars (\$116 million).

Cerus Sees \$53 Million In Net Profit for '87

PARIS — Cerus SA, the French holding company controlled by the Italian entrepreneur Carlo de Benedetti, expects a consolidated net profit for 1987 of at least 300 French francs (\$53 million), a company spokesman said Monday.

Advertisement for Makita Electric Works, Ltd. (CEMs). It includes the company name, address, and a note about the semi-annual report for 1987.

Large advertisement for Eurocard. It features the text 'MasterCard EUROCARD Your Key to Finland' along with logos for Eurocard and MasterCard.

Handwritten signature or mark at the bottom center of the page.

CURRENCY MARKETS

DOLLAR: Reagan Brakes Slide After Record Lows

(Continued from Page 1)

The Bank of Japan, saying it had lent momentum to the selling... The Japanese intervention was halfhearted at best, said a floor trader on Chicago's International Monetary Market.

London Dollar Rates

Table with columns: Closing, Bid, Ask, and various currency rates for London.

Ernst Pullman, a foreign exchange dealer at Deutsche Girozentrale-Deutsche Kommunalbank in Frankfurt, said: "Central bank intervention is futile. A discount rate cut is already factored into the rates. The dollar must go lower."

A cut in the discount rate, the fee charged on banks' borrowing from the central bank against securities as collateral, would theoretically make the market less attractive to investors, who could earn substantially higher interest on dollar-denominated investments.

Mr. Reagan, however, on Monday called the deficit package "an adequate deal" preserving tax reductions that could stimulate the economy.

"As I've said many times, the result of these negotiations is not a perfect deal, far from it," Mr. Reagan said at a group of U.S. business leaders at a White House meeting.

West German currency dealers disputed that view. "What else is he going to say? The package was weak to begin with," one dealer for a major West German bank said.

Gold Surpasses \$500 an Ounce Before Pullback

NEW YORK — The price of gold, mirroring a sharp decline in the dollar, traded here Monday above \$500 an ounce, the highest level in more than four years, before slipping back.

On the New York Commodities Exchange, February gold closed \$4.90 higher at \$497.20 an ounce. It had traded earlier in the day at \$503, the highest level since February 1983.

Analysts in New York said the higher closings suggested some movement of investment money into physical gold.

In London, Keith Smith, managing director of the bullion dealers Moccatta & Goldsmith, said, "This fall in the dollar should have spilled over into gold before. The market should certainly move through \$500 in the very short term."

PROFITS: U.S. Return on Assets Is Rising, but Cannot Fund Expansion

(Continued from first finance page)

Labor or with the rest of the world or with government than they already have," said Sam Bowles, an economist at the University of Massachusetts at Amherst. "They have gotten all they can out of Reaganomics."

Still, the struggle for a higher profitability rate continues. The big concern is that the Oct. 19 stock market plunge will be followed, next year or the year after, by a decline in consumer spending. If that happened, production would fall and factories would be idled.

So companies across the country are getting rid of facilities that might become surplus in a recession. At the same time, some corporations are spending on high-technology machinery to improve productivity — but only in those lines of business in which they already are first in market share and thus might be able to keep factories open, even in a recession.

Giulietti Co., for example, has two such lines, three-way razors and pens. In these products, "the profit rate can only be maintained if there is a high volume of production from existing floor space,"

said Milton L. Glass, Giulietti's vice president of finance. Mr. Glass said that Giulietti had accomplished only about 80 percent of the process of reducing its work force and selling off companies acquired in the 1960s and 1970s that make such things as luxury lighters, eyeglasses and computer supplies.

As they are sold, Giulietti is buying state-of-the-art machinery to manufacture pens and razors in ever greater quantities. But floor space at the pen and razor factories is not being increased, although they are running at full capacity.

Giulietti's efforts have not shown up on the bottom line yet, although they might this year. The company's return on assets was only 6 percent in 1986, a far cry from the 21 percent return in 1966 and 12 percent in the early '70s.

Others are further along in the process of installing high-volume, automated equipment while at the same time reducing production capacity. Ford Motor Co.'s return on assets rose from 4.9 percent in 1979 to 12.1 percent in the first nine

months of 1987, according to David McCammon, Ford's treasurer and vice president of finance. Ford's profit rate is rising, he said, because the company is operating its remaining factories at full capacity, after having closed 15 since 1979. The work force has been reduced by 30 percent.

Toshiba Signs Facsimile Pact

TOKYO — Toshiba Corp. said Monday it had signed an agreement with Telex Alcatel, a subsidiary of Alcatel NV of France, to make and market facsimile equipment in Europe.

Telex Alcatel will produce facsimile equipment under license from Toshiba beginning in mid-1988, a Toshiba spokesman said. Toshiba is likely to receive the French government's permission early next year to sell facsimile machines in France under its own name, a Toshiba spokesman said.

Hong Kong Won't Rule Out Deposit Fees to Defend Its Dollar

HONG KONG — The Hong Kong government, facing renewed speculation on a change in its currency's peg to the U.S. dollar, will not rule out negative interest rates — government-imposed fees on deposits — to defend the local dollar, a senior monetary official said Monday.

"Negative interest rates can be arranged easily," said Joseph Yam, deputy secretary for monetary affairs. "But we are still far from it."

The Hong Kong dollar, boosted by speculation that it might be revalued against the weakening U.S. dollar, remained on the strong side of its peg of 7.80 to the dollar, despite very low interest rates on the interbank market. As the U.S. dollar reached a new postwar low against the yen and the Deutsche mark, the Hong Kong dollar closed higher Monday at 7.740, against 7.785 at the finish Friday.

Local interbank rates have remained depressed for the past two weeks, with overnight funds occasionally quoted at zero percent, dealers said. Overnight funds stood at 1.5 percent Monday, unchanged from Friday.

Other than direct intervention on the foreign exchange market, interest rates — interbank

rates in particular — are the government's only weapon in defending the Hong Kong dollar.

As local interest rates fall, investors turn to U.S. dollar-denominated investments, thereby reducing the value of the local dollar. Higher interest rates prop up the local currency.

Dealers said that because of the large inflow of capital, the differential between Hong Kong and U.S. interest rates has widened to more than 3 percentage points, from about 2 points just two weeks ago.

On Saturday, Hong Kong's two major banks cut their prime lending rate by 0.5 of a percentage point, to 6 percent, effective Monday, to keep that rate in line with interbank rates.

Dealers said speculation was led by European and American investors after remarks in mid-November by David C. Mullford, the assistant U.S. Treasury secretary, who said that Hong Kong, Taiwan, Singapore and South Korea should let their currencies rise to reduce their trade surpluses with the United States.

Hong Kong officials have said repeatedly that they do not plan to change the link rate. Dealers said that with the current low interest rates, Hong Kong has little room to maneuver if speculation persists, other than through the imposition of negative interest rates.

"It is still too early to talk about negative interest rates," Mr. Yam said. "But we can charge fees on large deposits of money in the banking system."

Dealers said that they do not expect the government to impose fees on deposits. "I don't think we will see negative rates in the near term," a European banker said. "Usually speculation ends in a few weeks."

Hong Kong has not used such fees, despite frequent speculation of a change in the peg. The link was set in October 1983 to pull the currency out of a steep decline caused by fears over the British colony's political future.

Hong Kong officials say the peg is still needed for political stability as the colony moves toward a return to Chinese rule in 1997.

"Most people in Hong Kong believe there will be no change," said David Townsend, deputy foreign exchange manager at the Hongkong and Shanghai Banking Corp. "But we find it difficult to convince overseas investors."

"If you change it once," he said of the peg, "you'll get more speculation."

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TEENS: In 'Latchkey' Era, a New Power of the Purse

(Continued from first finance page)

part-time jobs, to fact, wristwatches, chicken noodle soup is now more popular than hot dogs for lunch. For dessert, teen-age boys prefer grapes to brownies. And strawberries narrowly beat out chewing gum as a snack for teen-age girls.

Many parents apparently suggest that their teens rent a movie videotape on their shopping expeditions, possibly as a reward; so, many groceries and convenience stores have added video rental sections.

There also is potential for new healthy snack foods as parents encourage teens to gather with friends at home to watch that movie. "Safer at home than on the streets," Mr. Rostovsky said.

And 60 percent of teen-agers say they influence their family's vacation choices. Studies have noted keen interest in physical fitness among teen-agers. It may be just a coincidence, but those chubby little kids who have adorned the Campbell Soup labels for so long are no longer drawn quite so chubby.

daytime advertising is directed at Mom. It's kind of an insult. We can no longer show Mom in the kitchen talking down to the child. We've got to show the teen-ager helping make some decisions."

One result has been a flurry of research into how best to reach teenagers. Viewers of MTV, the cable music video channel, see the usual commercials for sodas, snacks and cosmetics. But increasingly they will also spot advertisements for Sara Lee cakes, the National Dairy Association and Ralston Purina cat foods.

Campbell's Chunky Soups made a special MTV ad, a "soup music video" with a teen-age lip-synching a popular song while warming soup alone in his parents' kitchen.

Recent advertisers on ABC-TV's American Bandstand include the usual chewing gum and motorcycle manufacturers. But now Nabisco and Nestlé's sell their too. So do wristwatch and camera makers, who are going after the 45 percent of teen-agers with earnings from

part-time jobs, to fact, wristwatches, chicken noodle soup is now more popular than hot dogs for lunch. For dessert, teen-age boys prefer grapes to brownies. And strawberries narrowly beat out chewing gum as a snack for teen-age girls.

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Monday's OTC Prices NASDAQ York office 4 P.M. CWT via The Associated Press

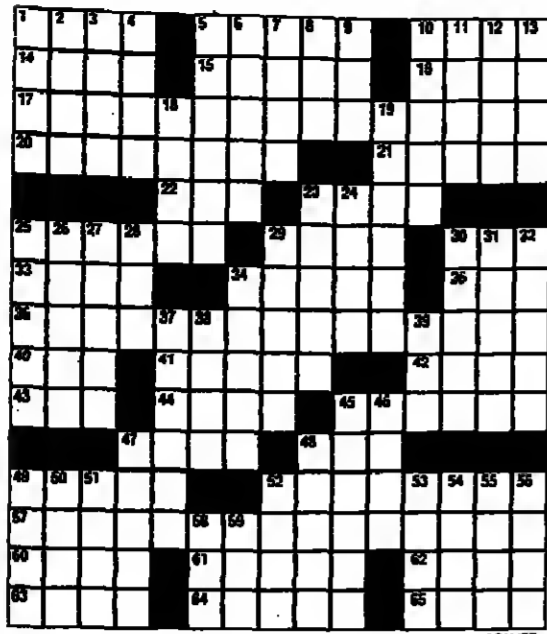
Large table of OTC stock prices with columns for stock names, prices, and changes.

Table of stock prices with columns for stock names, prices, and changes.

Table of stock prices with columns for stock names, prices, and changes.

Table of stock prices with columns for stock names, prices, and changes.

Notes: Figures are unrounded. Every date and time listed represents a trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and closing price are shown for the new stock only. Unless otherwise noted, rates of dividends are annual distributions based on the latest declaration. a - dividend rate (cents). b - new year's list. c - dividend declared or paid in preceding 12 months. d - dividend declared or paid in preceding 12 months, plus 1 - dividend declared after split-up or stock dividend. 2 - dividend declared or paid in preceding 12 months, plus 3 - dividend declared or paid in preceding 12 months, plus 4 - dividend declared or paid in preceding 12 months, plus 5 - dividend declared or paid in preceding 12 months, plus 6 - dividend declared or paid in preceding 12 months, plus 7 - dividend declared or paid in preceding 12 months, plus 8 - dividend declared or paid in preceding 12 months, plus 9 - dividend declared or paid in preceding 12 months, plus 10 - dividend declared or paid in preceding 12 months, plus 11 - dividend declared or paid in preceding 12 months, plus 12 - dividend declared or paid in preceding 12 months, plus 13 - dividend declared or paid in preceding 12 months, plus 14 - 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ACROSS

1 Copy, for short
5 Glacial
10 Kind of concert
14 Jason's ship
15 Criminal's
16 Director
17 Shaw opus
20 One way to travel
21 Gaffer's coup
22 Some
23 Celt
25 Unassuming
29 Homer or Shakespeare
30 E. M. K. is one
32 Wading bird
34 Conspiratorial group
35 Vein contents
36 Shaw opus
40 "Perfect" number
41 Witch of
42 Wagnerian goddess
43 Compass pt.
44 Creditor's claim
45 Maiden
47 N.Y. heroes in 1986
48 A rel.

DOWN

1 Pronounces
2 Jog
3 Chills and fever
4 Dial
5 Scholar
6 Gray poem
7 To laugh, in Roman
8 First letters
9 Secret letters? number
10 Flower part
11 Designer
12 Aspirin, e.g.
13 Shopper's special
14 Ages
15 Tailor's tool
18 Eva or Magda
23 Surrenders
26 Woodwind instruments
27 A consort of Zeus
28 Superlative suffix
29 Stick for Ozawa
30 Entrances
31 Wear
32 Decoration for a G.I.
34 Surrenders
37 Soften
38 Entire
39 Jewel
45 Less bright
46 Anon., e.g.
47 Actress
48 Artemis, to a Lyon
49 Quaker word
50 Have on
51 Merit
52 Licked
53 White frost
54 Cape Cod hill
55 Charles's pooch
56 Time span
58 Short-order order
59 Creak

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PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



JUMBLE

Unscramble these four jumbles, one letter to each square, to form four ordinary words.

RITTA
CEPIE
MIRSUQ
CARAFS

Now arrange the dotted letters to form the surprise answer, as suggested by the above cartoon.

ANSWER: "OOO YOU OOOOOO?"

Yesterday's Jumble: BEGUN GOUGE TUMBL HEALTH
Answer: A neighborhood turns in her neighbors instead of this—ABOUT THEM.

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	11	7	Beijing	8	4
Amsterdam	11	7	Bombay	28	24
Antwerp	11	7	Hankow	11	7
Athens	17	13	Hong Kong	24	20
Berlin	11	7	New Delhi	24	20
Bombay	28	24	Osaka	11	7
Buenos Aires	11	7	Seoul	11	7
Chicago	11	7	Tokyo	11	7
Cairo	24	20			
London	11	7			
Madrid	11	7			
Moscow	11	7			
New York	11	7			
Paris	11	7			
Rome	11	7			
Sao Paulo	11	7			
Shanghai	11	7			
Singapore	11	7			
Taipei	11	7			
Tokyo	11	7			
Washington	11	7			
Zurich	11	7			

NORTH AMERICA

City	High	Low
Anchorage	2	-2
Barrow	14	10
Chicago	11	7
Dallas	11	7
Denver	11	7
Detroit	11	7
Houston	11	7
Los Angeles	11	7
Miami	11	7
Minneapolis	11	7
New York	11	7
San Francisco	11	7
Seattle	11	7
Washington	11	7

MIDDLE EAST

City	High	Low
Ankara	15	11
Bahar	15	11
Cairo	24	20
Damascus	11	7
Jerusalem	11	7
Tel Aviv	11	7

OCEANIA

City	High	Low
Auckland	11	7
Sydney	11	7

TUESDAY'S FORECAST - CHANNING: Sunny, FRANKFURT: Cloudy, FOGGY; T.M.: Partly cloudy, LONDON: Foggy, T.M.: Partly cloudy; PARIS: Partly cloudy, T.M.: Partly cloudy; NEW YORK: Partly cloudy, T.M.: Partly cloudy; WASHINGTON: Partly cloudy, T.M.: Partly cloudy; LOS ANGELES: Partly cloudy, T.M.: Partly cloudy; TOKYO: Partly cloudy, T.M.: Partly cloudy.

BOOKS

THE DEVIL IN THE SHAPE OF A WOMAN: Witchcraft in Colonial New England

By Carol F. Karlsen. 360 pages. \$22.95. W. W. Norton & Co., 500 Fifth Avenue, New York, N. Y. 10110.

Reviewed by Michiko Kakutani

CONSIDER the following cases: Anne Hutchinson, a midwife who was one of the central figures in Boston's Antinomian controversy (a debate over interpretations of Puritan doctrine) during the 1630s. Criticized for her outspoken theological views, and her visibility as a religious leader. Suspected of being a witch, denounced as a heretic, excommunicated from the church and ordered to leave the colony for good.

Sarah Osborne, one of the first women accused of witchcraft during the Salem outbreak of 1692. Suspected of having had a much younger second husband before marrying him, and of conspiring with him to deprive the two sons of her former marriage of their inheritances. Died in prison before coming to trial.

Just why such women were accused of witchcraft in colonial New England is the subject of Carol Karlsen's thoughtful new study, "The Devil in the Shape of a Woman." Karlsen, a professor of history at the University of Michigan, gives us a feminist interpretation of such events. As she sees it, "Witchcraft confronts us

with ideas about women, with fears about women, with the place of women in society, and with women themselves.

Karlsen examines the 344 cases in which residents of New England were accused of witchcraft between the years 1620 and 1725. Her findings, among others, are that 75 percent were female (and that roughly half of the accused men were husbands, sons or friends of female witches); that the majority were over the age of 40 (that is, past child-bearing age); and that single, widowed or divorced women were disproportionately overrepresented among those accused of witchcraft.

She concludes that those individuals who failed to fulfill the principal function of women in Puritan society (to bear children and serve as "helpmeets" to the men) tended to be the most likely victims of witchcraft accusations.

Whereas previous accounts have portrayed accused witches as "disagreeable women," at best aggressive and abrasive, at worst ill-tempered, quarrelsome, and spiteful, Karlsen contends that it was not so much their behavior that was at issue, as how that "behavior was understood in New England's hierarchical society, the Real or perceived antagonism (toward the church, adulterous or premarital sexual liaisons, even simple "dissatisfaction with one's lot" (expressed through petitions and court suits) over such matters as property, mistreatment, divorce—all were regarded, says Karlsen, as threats to the social and natural order.

Puritans' witchcraft beliefs are finally inseparable from their ideas about women and from their larger religious world view," Karlsen writes. "The witch was both the negative model by which the virtuous woman was defined and the focus for Puritan explanations of the problem of evil. . . . A central element in these cosmologies, witches explain the presence of not only illness, death, and personal misfortune, but of attitudes and behavior antithetical to the culture's moral universe."

Karlsen does a masterly job of using demographic data to build and buttress her theories. Although she is less persuasive when she tries to extrapolate her argument to make a case for Western societies' "systematic violence against women," her book remains remarkably free of ideological cant, and it stands as a provocative and illuminating piece of scholarship.

Michiko Kakutani is on the staff of The New York Times.

Solution to Previous Puzzle

PSALM ALL CRACK
BERRY BEA RUBLE
ALARM LAR ONJON
FLABBERGASTED
SEA OPS
AID RIDE EBBED
HORA TILT ORRIS
ATLOSSFORWORDS
BANTU HINE WENT
SKITS NETSDITS
MIDA IANIS
THROWFORAILED
PILGIM IIRA OILED
ALPINE BAIT OSTER
SPEED ELI NEDDY

CHESS

By Robert Byrne

AFTER 10 years the Dutch grandmaster Jan Timman escaped what amounts to a jinx in winning the most prestigious event in his country, the Interpolis Tournament in Tilburg. Timman, who has been ranked in the top handful of the world's players during the same period, has seen others leave for their own countries with the first prize. But in the 11th double round-robin running of the Interpolis Tournament broke the jinx and kept the 20,000 guilders (\$9,500) for himself.

In the ninth round, Timman sharply defeated a defense offered by his longtime rival, the Yugoslav grandmaster Ljubovic. What started out as a sedate Queen's Gambit Declined was radically transformed by Ljubovic's substituting for 6. . . B-K2 the pin 6. . . B-N5, which brought about the Manhattan Variation.

This line of play commits Black to a counterattack designed to pre-empt White's normal initiative. . . . It has been taken for granted that White should restrict Black's choices by exchanging with 7 P-K3 in this game. The pin-breaking 7. . . P-KN4 naturally weakens the black kingside and makes casting there risky, but it less Black attack with 8. . . N-K5, and that's what he wants.



Position after 30. . . B-N2

Timman's 9 Q-N3 did not permit 9. . . BxNch; 10 P-K3, P-KR4? because 11 P-K3, P-R5; 12 P-K3, P-K3; 13 P-K3, B-N5; 14 P-K3, N-N3; 15 P-K3, B-N5; 16 P-K3, B-N5; 17 P-K3, B-N5; 18 P-K3, B-N5; 19 P-K3, B-N5; 20 P-K3, B-N5; 21 P-K3, B-N5; 22 P-K3, B-N5; 23 P-K3, B-N5; 24 P-K3, B-N5; 25 P-K3, B-N5; 26 P-K3, B-N5; 27 P-K3, B-N5; 28 P-K3, B-N5; 29 P-K3, B-N5; 30 P-K3, B-N5.

World Stock Markets

Market	Index	Change
Amsterdam	1230	+12
Brussels	1230	+12
Frankfurt	1230	+12
Hong Kong	1230	+12
London	1230	+12
Madrid	1230	+12
Manila	1230	+12
Mexico City	1230	+12
Paris	1230	+12
San Francisco	1230	+12
Sao Paulo	1230	+12
Seoul	1230	+12
Taipei	1230	+12
Tokyo	1230	+12
Washington	1230	+12
Zurich	1230	+12

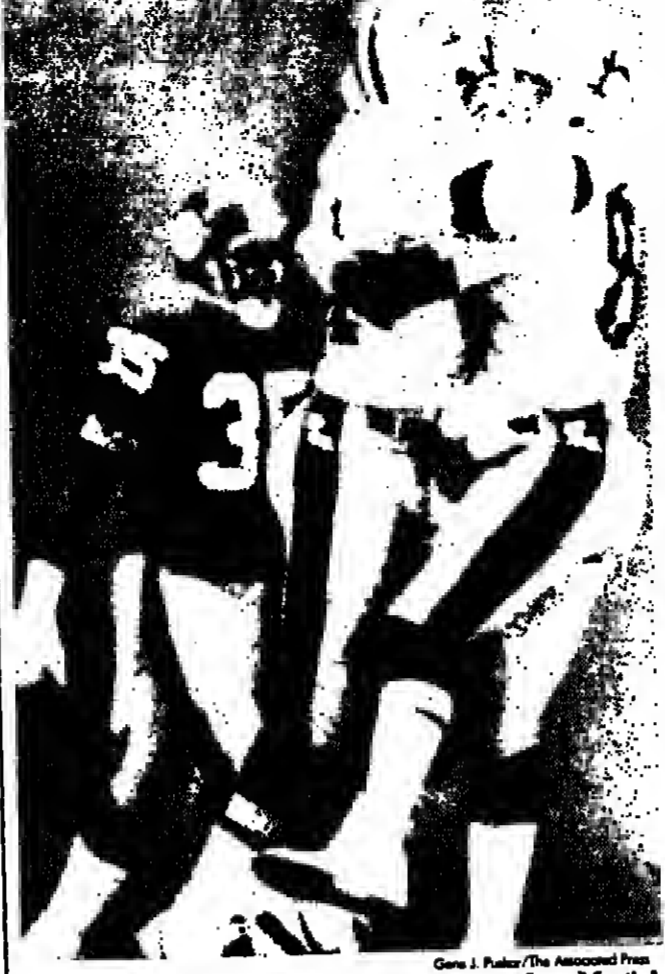
Market	Index	Change
Bombay	1230	+12
Calcutta	1230	+12
Colombo	1230	+12
Delhi	1230	+12
Guwahati	1230	+12
Hyderabad	1230	+12
Jaipur	1230	+12
Kolkata	1230	+12
Lucknow	1230	+12
Madras	1230	+12
Patna	1230	+12
Ranchi	1230	+12
Shimla	1230	+12
Srinagar	1230	+12
Thiruvananthapuram	1230	+12
Varanasi	1230	+12
Visakhapatnam	1230	+12
Wardha	1230	+12
Yamuna Nagar	1230	+12

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SPORTS

Lendl Skins Cash in 'Stakes Match'

By Roy S. Johnson
New York Times Service
WEST PALM BEACH, Florida — From their grim expressions and animated, sometimes caustic, reactions to critical lapses and controversial line calls, one might have thought Ivan Lendl and Pat Cash were playing in the past.



Lonzell Hill, right, embraced Eric Martin after Martin's fourth-round victory over Lendl. Hill was the first winning season in the 21-year history of the franchise.

Elway, Broncos Bomb Chargers

Compiled by Our Staff From Dispatches
SAN DIEGO — The San Diego Chargers pulled out all the stops, but there was no stopping Denver quarterback John Elway. "We rushed him, dropped people off, changed our front, but he's Coach Al Saunders said of Elway, who threw for 347 yards and three touchdowns in the Broncos' 31-17 National Football League victory here Sunday.

Wachter Leads a Sweep By Austrians in Slalom

Compiled by Our Staff From Dispatches
COURMAYEUR, Italy — Anita Wachter led an unprecedented 1-2-3 sweep by the Austrian women's team in a World Cup slalom here Monday as last year's losers started off as this season's best performers. In gaining her first-ever cup victory, Wachter, 20, also gave Austria



Anita Wachter at Courmayeur.

Edmonton Defeats Toronto, 38-36, In a Wide-Open Game for CFL Title

The Associated Press
VANCOUVER, British Columbia — Henry Williams raced 115 yards with a missed field goal for the opening score and Jerry Kauric kicked a 49-yard field goal in the final minute as the Edmonton Eskimos edged the Toronto Argonauts, 38-36, Sunday to capture the 75th Grey Cup championship.



Jerry Kauric, whose 49-yard field goal won the Grey Cup game.

SCOREBOARD

Table containing NBA Standings, U.S. College Standings, CFL Championship, and Sunday's Results. It lists various sports teams and their performance metrics.

Football

Table containing NFL Standings and Hockey NHL Standings. It provides league-wide statistics and rankings for football and hockey teams.

Philippines' 1-Man Team Set for Olympic Games

By Michael Janofsky
New York Times Service
NEW YORK — It wasn't much more than a year ago that the final approval was granted, and the Philippines had itself a Winter Olympic team for the first time since 1972.

U.S. College Results

Table listing results from various U.S. college sports events, including basketball, football, and other team sports.

World Cup Skiing

Table listing results from the World Cup Skiing events, including slalom, giant slalom, and overall standings.

INTERNATIONAL CLASSIFIED

A collection of classified advertisements for international services, including travel agencies, insurance, and business services. Advertisements include 'ESCORTS & GUIDES', 'GENEVA GINGER'S', 'ZURICH SUSAN', and 'LONDON ACE'.

European Soccer

Table listing results from European soccer matches, including the Spanish First Division and other regional leagues.

WOMEN'S OVERALL STANDINGS

Table listing overall standings for women's slalom and giant slalom events, showing the names of the top performers.

ART BUCHWALD
Gorbachev's Itinerary

WASHINGTON — The White House is burning the midnight oil trying to put together an itinerary for Mikhail Gorbachev. "Scratch Gorbachev's address to a joint session of Congress. They won't let him speak there."



"Now they tell us, Well, we have to let him speak somewhere. What about asking him to address a day school in Fairfax, Virginia?"

"Well, let's look into it. Now, we promised the Kremlin that Gorbachev would get TV exposure. What shows do we book him on?"

Mitterand Inaugurates Arab Cultural Center

PARIS — The Institute of the Arab World, a Franco-Arab cultural endeavor, was inaugurated Monday by President François Mitterand.

"We wouldn't let Khrushchev go to Disneyland, so why should we let Gorbachev. Best he attend a pro football game and let him see our fans in action. That should scare the hell out of the U.S.S.R."

"We give him a ringside table to see Frank Sinatra and have Frank ask him to stand up in the middle of the show."

"Good idea. Well, the calendar is filling up. Here is the last item. We have to find a typical American family for Gorbachev to visit. Anybody have any ideas?"

Zola Auction: Heirs Accuse

By Steven Greenhouse

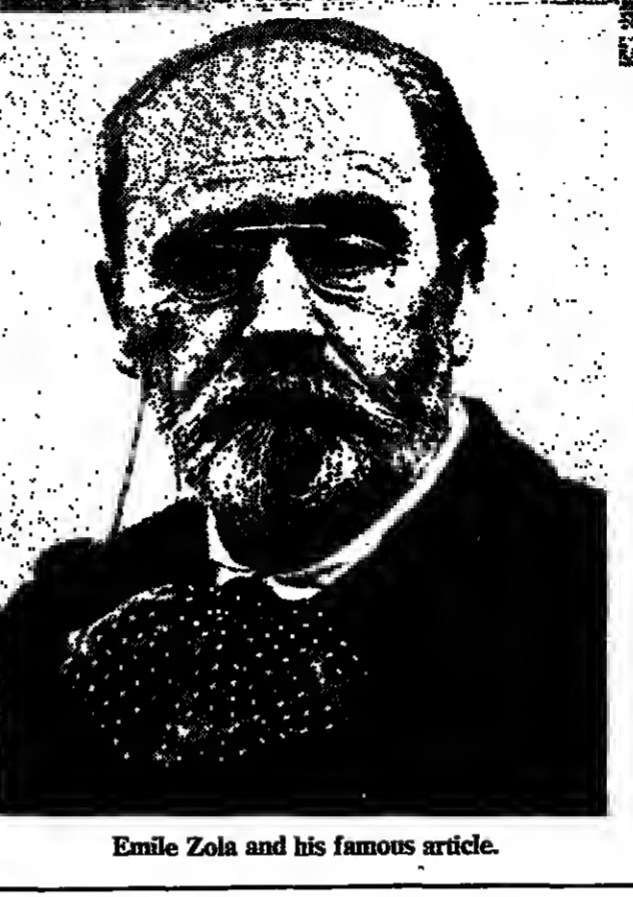
PARIS — Emile Zola's famed newspaper exposé, "J'accuse," which defamed Captain Alfred Dreyfus against charges of treason, has once again become a cause célèbre — this time within the Zola family.

In October, Sotheby's, the auction house, announced that Brigitte Place, the author's great-granddaughter, had asked if it sell the handwritten manuscript of the 89-year-old article.

But days after the auction was announced, François Emile-Zola, who is not only a grandson of the author but is also Place's father, sued to stop the sale of the manuscript.

L'Aurore
J'accuse...!

LE PRESIDENT DE LA REPUBLIQUE
PAR EMILE ZOLA



Emile Zola and his famous article.

Bings Fly Back to N.Y.

Sir Rudolf Bing, the 86-year-old former general manager of the Metropolitan Opera, and his wife, the former Carol Lee Douglas, 47, who fled the United States in Britain in April, boarded a New York-bound jetliner Monday at London's Heathrow Airport.

Former House Speaker Thomas P. (Tip) O'Neill Jr., recovering from rectal cancer surgery, was reported in good condition after a permanent colostomy performed last week. O'Neill, who still faces prostate surgery, has received visits and his spirits are good, according to a spokeswoman for Brigham and Women's Hospital in Boston.

An 18-year-old Chinese woman, Zhou Qian, took first prize, worth 60,000 francs (more than \$10,000), in the Marguerite Long-Jaume Thibaud competition in Paris, coming first from her country to do so since the competition's creation in 1949.

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